

FELDSPAR 2016-1 PLC

(Incorporated in England and Wales with limited liability, registered number 10175202)

Class of Notes	Initial Principal Amount	Issue Price	Interest Rate	Relevant Margin	Step-Up Date	Ratings (Fitch/Moody's)	Final Maturity Date
Class A Notes	£670,000,000	100%	3 month GBP LIBOR plus the Relevant Margin	Prior to the Step-Up Date 0.70% per annum and after the Step-Up Date 1.40% per annum	December 2021	AAA sf/Aaa (sf)	September 2045
Class Z VFN	£250,000,000 (of which £116,219,000 shall be subscribed for as at the Closing Date)	100%	3 month GBP LIBOR plus the Relevant Margin	0.0%	N/A	Not rated	September 2045

Issue Date The Issuer will issue the Notes in the classes set out above on 11 November 2016 (the **Closing Date**).

The Volcker Rule The Issuer is not, and solely after giving effect to any offering and sale of the Notes and the application of the proceeds thereof will not be, a "covered fund" for purposes of regulations adopted under Section 31 of the Bank Holding Company Act of 1956, as amended (commonly known as the **Volcker Rule**). In reaching this conclusion, although other statutory or regulatory exclusions and/or exemptions under the Investment Company Act of 1940, as amended (the **Investment Company Act**) and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determination that the Issuer would satisfy all of the elements of the exemption from the definition of "investment company" under the Investment Company Act provided by Section 3(c)(5) thereunder.

Underlying Assets The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue received from a portfolio comprising mortgage loans originated by Landmark Mortgages Limited (formerly known as NRAM plc, and prior to that known as Northern Rock plc and latterly as Northern Rock (Asset Management) plc (**Landmark**) or the **Original Seller**)). Cerberus European Residential Holdings B.V. (**CERH**) acquired (in respect of the Loans other than the Scottish Loans) an equitable interest (the **Equitable Interest**) and (in respect of the Scottish Loans) a beneficial interest (the **Beneficial Interest**) in a portfolio of loans and their related security (which included the Loans and their Related Security) from the Original Seller. CERH then on-sold such Equitable Interest and Beneficial Interest in the Loans and their Related Security to Cerberus European Residential Holdings LLC (**CERH LLC**). CERH LLC then on-sold such Equitable Interest and Beneficial Interest in the Loans and their Related Security to BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft (referred to in this Prospectus as the **Seller** or **BAWAG P.S.K.**). The portfolio of loans which is secured over residential properties located in England, Wales and Scotland (the **Portfolio** or **Mortgage Portfolio**) and forms part of the portfolio acquired by BAWAG P.S.K. from CERH LLC will be purchased by the Issuer from BAWAG P.S.K. on the Closing Date. See the section entitled "*Characteristics of the Provisional Portfolio*" for further details.

Credit Enhancement and Liquidity Support

- In respect of the Class A Notes only, subordination by way of the Class Z VFN.
- In respect of the Class A Notes, the availability of the General Reserve Fund, as funded by the Class Z VFN on the Closing Date.
- Excess Available Revenue Receipts.
- In respect of the Class A Notes only, the application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency (as defined herein) in the Available Revenue Receipts.

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 78 (*Transaction Overview - Overview of the Terms and Conditions of the Notes*) and set out in full in Condition 7 (*Redemption*).

Rating Agencies Fitch Ratings Ltd. (**Fitch**) and Moody's Investors Service Limited (**Moody's** and, together with Fitch, the **Rating Agencies**). As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (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) (this website and the contents thereof do not form part of this Prospectus). 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 European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union 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 "Fitch" and "Moody's" in this Prospectus are to the entities as defined in the above paragraph.

- Ratings** Ratings are expected to be assigned to the Class A Notes as set out above on the Closing Date. The Class Z VFN will not be rated. The assignment of ratings to the Notes is not a recommendation to invest in the 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 Notes may be revised or withdrawn at any time.
- Listing** This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the **Prospectus Directive**). This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**) as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Class A Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to Irish Stock Exchange plc (the **Irish Stock Exchange**) for the Class A Notes to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Main Securities Market**). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive. The Class Z VFN will not be admitted to the Official List nor will it be admitted to trading on the Main Securities Market.
- 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 BAWAG P.S.K., its affiliates or any other party named in the Prospectus other than the Issuer.
- Retention Undertaking** On the Closing Date, BAWAG P.S.K. (the **Retention Holder**) will undertake to the Issuer and the Security Trustee on behalf of the Noteholders that it will on an ongoing basis retain a material net economic interest of at least 5 per cent. in accordance with each of Article 405 of Regulation (EU) No. 575/2013, referred to as the Capital Requirements Regulation (the **CRR**) and Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Managers Regulation (**AIFMR**) 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). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche, in this case, the Class Z VFN, as required by each of paragraph (d) of Article 405(1) of the CRR, paragraph (d) of Article 51(1) of the AIFMR and paragraph (d) of Article 254(2) of the Solvency II Regulation. Please refer to the sections entitled "*Risk Retention Requirements*" and "*Subscription and Sale*" for further information.
- Significant Investor** On the Closing Date, the Retention Holder will purchase and retain the Class Z VFN in accordance with its risk retention requirements as described above.
- On the Closing Date, the Seller will purchase Class A Notes in an aggregate amount equal to £170,000,000.

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

Arranger and Joint Lead Manager

Barclays

Joint Lead Managers

CGML

Credit Suisse

The date of this Prospectus is 10 November 2016

IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE RETENTION HOLDER, THE LEGAL TITLE HOLDER, THE ORIGINATOR, THE ORIGINAL SELLER, THE COLLECTION ACCOUNT BANK, THE ARRANGER, ANY JOINT LEAD MANAGER, THE SERVICER, THE BACK-UP SERVICER, THE SERVICING CONSULTANT, THE MASTER SERVICER, THE CASH MANAGER, THE ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE AGENT BANK, THE CLASS Z VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE CORPORATE SERVICES PROVIDER, THE BACK-UP SERVICER FACILITATOR (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE ARRANGER, ANY JOINT LEAD MANAGER, THE RETENTION HOLDER, THE LEGAL TITLE HOLDER, THE ORIGINATOR, THE ORIGINAL SELLER, THE COLLECTION ACCOUNT BANK, THE SERVICER, THE BACK-UP SERVICER, THE SERVICING CONSULTANT, THE MASTER SERVICER, THE CASH MANAGER, THE ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE AGENT BANK, THE CLASS Z VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE CORPORATE SERVICES PROVIDER, THE BACK-UP SERVICER FACILITATOR OR BY ANY PERSON OTHER THAN THE ISSUER.

The Class A Notes will each be represented on issue by a global certificate in registered form (each, a **Global Note**). The Global Notes will be deposited with a common safekeeper (the **Common Safekeeper**) for Euroclear System (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) on or before the Closing Date. The Common Safekeeper will hold the Global Notes in custody for Euroclear and Clearstream, Luxembourg. The Class A Notes, issued under the new safekeeping structure and represented by the Global Notes may be transferred in book-entry form only. The Class A Notes will be issued in the denomination of £100,000 and integral multiples of £1,000 in excess thereof. Except in the limited circumstances described under "*Description of the Notes in Global Form and the Variable Funding Notes — Issuance of Definitive Notes*", the Notes will not be available in definitive form (the **Definitive Notes**).

Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes (**Book-Entry Interests**). Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants.

The Class A Notes are intended upon issue to be held in a manner which will allow Eurosystem eligibility. This means that the Class A Notes are intended to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day operations by the Eurosystem either upon issue or at any of all times during their life. Such recognition will depend upon the European Central Bank (the **ECB**) being satisfied that Eurosystem eligibility has been met.

The Class Z VFN will be in dematerialised registered form. The Issuer will also maintain a register, to be kept on the Issuer's behalf by the Class Z VFN Registrar, in which the Class Z VFN will be registered in the name of the Class Z VFN Holder. Transfers of all or any portion of the interest in the Class Z VFN may be made only through the register maintained by the Issuer.

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 Retention Holder, the Legal Title Holder, the Originator, the Original Seller, the Master Servicer, the Back-Up Servicer, the Servicing Consultant, the Collection Account Bank, the Note Trustee, the Security Trustee, the Arranger, any Joint Lead Manager, the Servicer, the Cash Manager, the Account Bank, the Principal Paying Agent, the Agent Bank, the Class Z VFN Registrar, the Corporate Services Provider or the Back-Up Servicer Facilitator that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this Prospectus as a prospectus for the purposes of the Prospectus Directive by the Central Bank, no action has been or will be taken by the Issuer, the Seller, the Retention Holder, the Legal Title Holder, the Originator, the Original Seller, the Servicer, the Master Servicer, the Servicing Consultant, the Collection Account Bank, the Note Trustee, the Security Trustee, the Arranger or any Joint Lead Manager which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer and the Arranger and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT (**REGULATION S**)) (**U.S. PERSONS**) NOR U.S. RESIDENTS (AS DETERMINED FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE "*Transfer Restrictions and Investor Representations*".

Each of BAWAG P.S.K. and the Joint Lead Managers and each subsequent purchaser of the Notes will be deemed by its acceptance of such Notes to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of the Notes as set forth therein and described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases. See "*Transfer Restrictions and Investor Representations*".

None of the Issuer or the Arranger or any Joint Lead Manager makes any representation to any prospective investor or purchaser of the Notes regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in this Prospectus) and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

BAWAG P.S.K. accepts responsibility for the information set out in the sections headed "*The Seller, Class Z VFN Holder, Retention Holder and the Servicing Consultant*" and "*Risk Retention Requirements*". To the best of the knowledge and belief of BAWAG P.S.K. (having taken all reasonable care to ensure

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

The Joint Lead Managers, the Retention Holder, and each subsequent purchaser of the Notes will be deemed by its acceptance of such Notes to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of the Notes as set out in the subscription agreement and described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases.

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

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

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

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

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

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

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Original Seller or the Originator as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with the Notes or their distribution. The Original Seller and the Originator are not Transaction Parties and have no obligations in respect of the Issuer and/or the Notes.

No person is authorised to give any information or to make any representation in connection with the offering or sale of the Notes other than those contained in or consistent with 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, the Arranger, any Joint Lead Manager or any other relevant party or any of their respective affiliates or advisers, directors or group companies. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of the Notes shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer, the Seller, the Note Trustee, the Security Trustee, the Arranger, any Joint Lead Manager or any other relevant party in the other information contained herein since the date hereof. The information contained in this Prospectus was obtained from the Issuer or from other sources identified herein (such sources other than from the Issuer, the **third party information**), but no assurance can be given by the Issuer, the Seller, the Note Trustee, the Security Trustee, the Arranger, any Joint Lead Manager as to the accuracy or completeness of such third party information. None of the Issuer, the Seller, the Note Trustee, the Security Trustee, the Arranger, or any Joint Lead Manager has separately verified any such third party information. No relevant party has verified the information contained herein except where that party has provided such relevant information. Accordingly, none of the appropriate relevant parties 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 (other than the Cash Manager, the Account Bank, the Master Servicer, the Legal Title Holder, the Servicer, the Back-Up Servicer, the Corporate Services Provider, the Back-Up Servicer Facilitator in the sections headed "*The Cash Manager and the Account Bank*", "*The Note Trustee and Security Trustee*", "*The Back-Up Servicer*", "*The Original Seller, the Legal Title Holder, the Originator and the Master Servicer*", "*The Servicer – Computershare Mortgage Services Limited*", "*Back-Up Servicer – Western Mortgage Services Limited*", "*The Corporate Services Provider and the Back-Up Servicer Facilitator*" respectively). The Issuer does not make any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the third party information included in this Prospectus. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The contents of this Prospectus should not

be construed as providing legal, business, accounting, regulatory or tax advice. Each prospective investor should consult its own legal, business, accounting, regulatory and tax advisers prior to making a decision to invest in the Notes.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or any Joint Lead Manager or any of their affiliates, advisers, directors or group companies as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with the Notes or their distribution.

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

Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes without the Issuer or Paying Agents or any other person being obliged to pay additional amounts therefor.

In this Prospectus all references to **pounds, sterling, GBP** and **£** are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the **United Kingdom** or **UK**).

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

Forward-Looking Statements

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. Neither the Arranger nor any Joint Lead Manager has attempted to verify any such statements, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. None of the Issuer, the Arranger or any Joint Lead Manager assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

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:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) 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.

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TRANSACTION OVERVIEW - STRUCTURE DIAGRAMS AND TRANSACTION PARTIES ON THE CLOSING DATE

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

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.

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

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

FIGURE 1 – TRANSACTION STRUCTURE

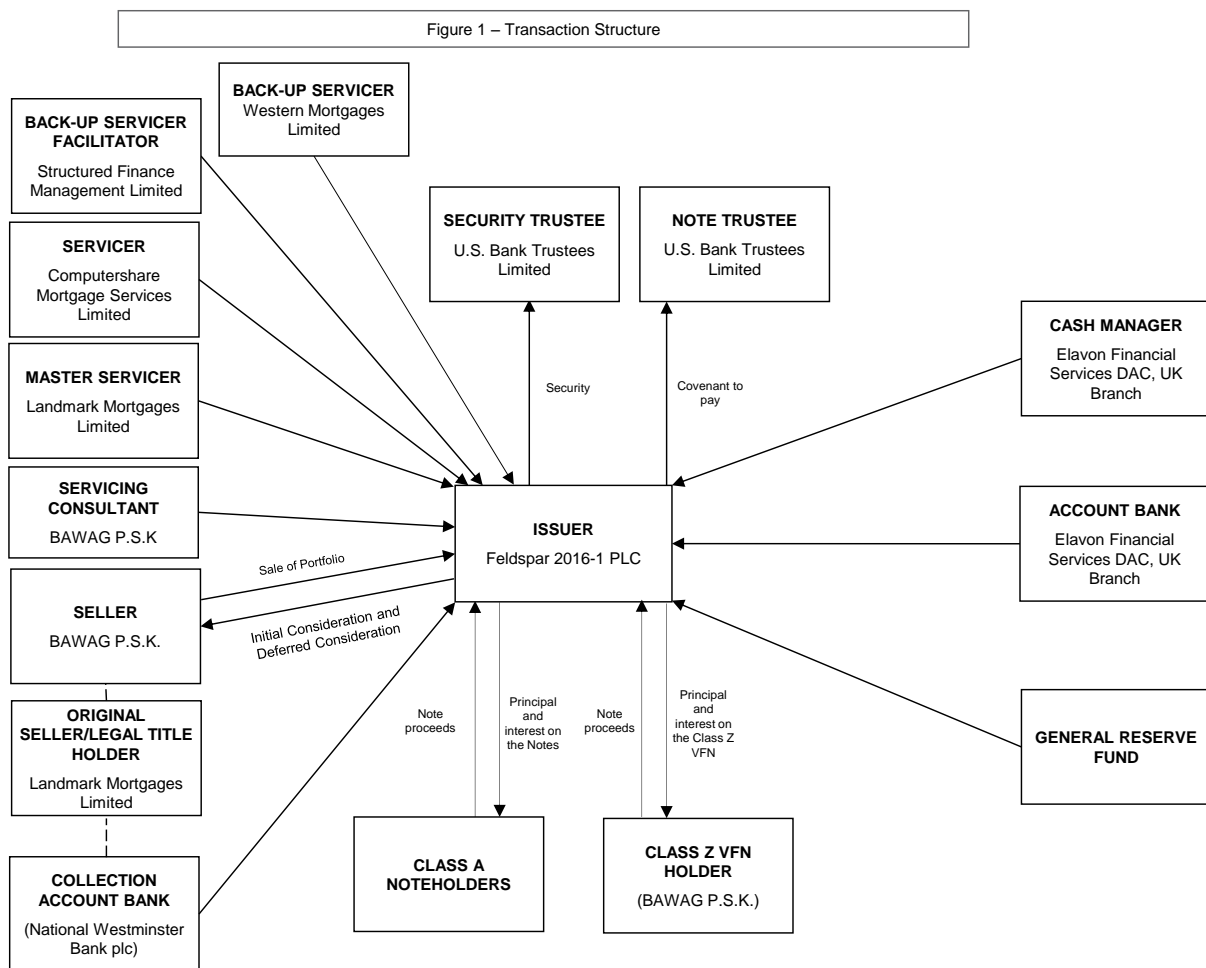


FIGURE 2 – CASHFLOW STRUCTURE

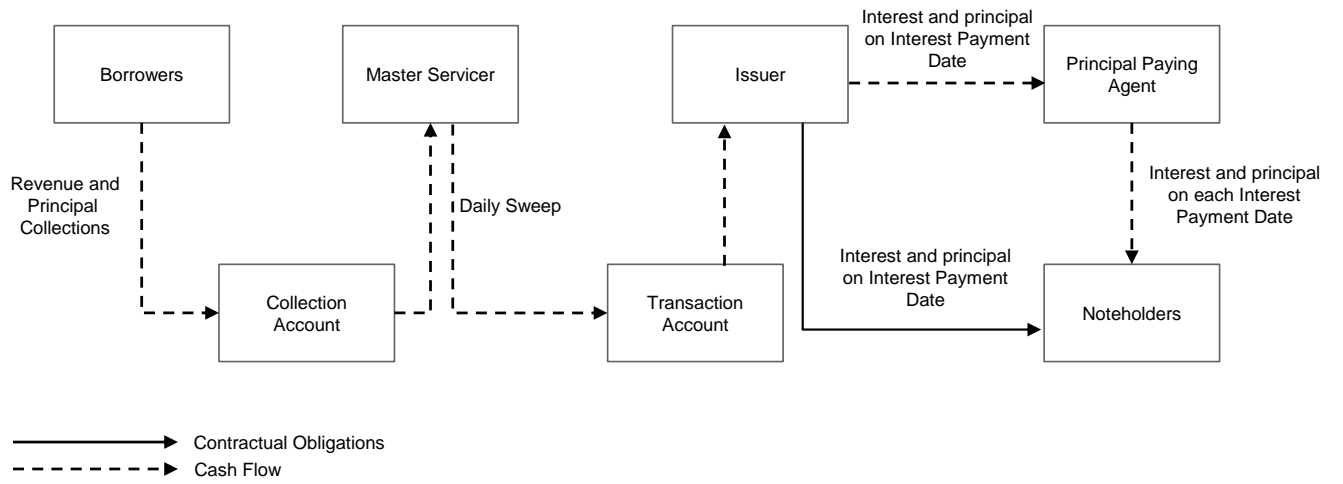
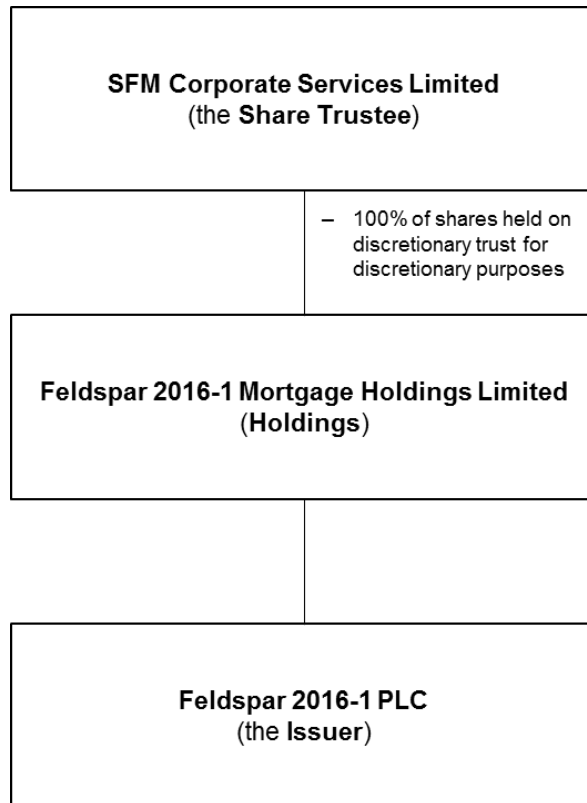


FIGURE 3 – OWNERSHIP STRUCTURE OF THE ISSUER



The above diagram illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- The Issuer is a wholly-owned subsidiary of Holdings in respect of its beneficial ownership.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings or the Share Trustee is either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.

TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed/Further Information
Issuer	Feldspar 2016-1 PLC	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
Holdings	Feldspar 2016-1 Mortgage Holdings Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
Seller, Retention Holder and Servicing Consultant	BAWAG P.S.K Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft (BAWAG P.S.K.)	Georg - Coch Platz 2 1018 Vienna Austria	See the section entitled " <i>The Seller, Class Z VFN Holder, Retention Holder and the Servicing Consultant</i> " for further information.
Originator, Legal Title Holder, Original Seller and Master Servicer	Landmark Mortgages Limited	Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA	See the section entitled " <i>Summary of the Key Transaction Documents – Master Servicer and Legal Title Holder Deed</i> " and " <i>The Original Seller, the Legal Title Holder, the Originator and the Master Servicer</i> " for further information.
Servicer	Computershare Mortgage Services Limited (CMS)	The Pavilions, Bridgwater Road, Bristol BS13 8AE	Servicing Agreement by, <i>inter alios</i> , the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> ".

Party	Name	Address	Document under which appointed/Further Information
Back-Up Servicer Facilitator	Structured Finance Management Limited	35 Great St. Helen's, London, EC3A 6AP	Servicing Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " and " <i>The Corporate Services Provider and the Back-Up Servicer Facilitator</i> " for further information.
Back-Up Servicer	Western Mortgage Services Limited	17 Rochester Row, London SW1P 1PT	Back-Up Servicing Agreement by, <i>inter alios</i> , the Back-Up Servicer, the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents - Back-Up Servicing Agreement</i> " for further information.
Cash Manager	Elavon Financial Services DAC, UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Cash Management Agreement by the Issuer. See the section entitled <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> for further information.
Class Z VFN Holder	BAWAG P.S.K Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft	Georg - Coch Platz 2 1018 Vienna Austria	See the section entitled " <i>The Seller, Class Z VFN Holder, Retention Holder and the Servicing Consultant</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
Account Bank	Elavon Financial Services DAC, UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	The Bank Account Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Bank Account Agreement</i> " for further information.
Collection Accounts Trust Trustee	Landmark Mortgages Limited	Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA	The Collection Account Declaration of Trust. See the section entitled " <i>Summary of the Key Transaction Documents – The Collection Account Declaration of Trust</i> " for more information.
Collection Account Bank	National Westminster Bank PLC	P.O. Box 64, Royal Bank House, 71 Bath Street, St. Helier, Jersey JE4 8PJ	The Collection Account Declaration of Trust. See the section entitled " <i>Summary of the Key Transaction Documents – The Collection Account Declaration of Trust</i> " for more information.
Security Trustee	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Deed of Charge. See the sections entitled " <i>Transaction Overview - Overview of the Terms and Conditions of the Notes – Security</i> ", " <i>Summary of the Key Transaction Documents – Deed of Charge</i> ", " <i>The Note Trustee and Security Trustee</i> " and the Conditions for further information.

Party	Name	Address	Document under which appointed/Further Information
Note Trustee	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Trust Deed. See the sections entitled " <i>Summary of the Key Transaction Documents – Trust Deed</i> ", " <i>The Note Trustee and Security Trustee</i> " and the Conditions for further information.
Principal Paying Agent and Agent Bank	Elavon Financial Services DAC, UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Agency Agreement by the Issuer. See the Conditions and the section entitled " <i>Summary of the Key Transaction Documents – Agency Agreement</i> " for further information.
Registrar	Elavon Financial Services DAC	Block E, Cherrywood Business Park, Loughlinstown, Dublin, Ireland	Agency Agreement by the Issuer. See the Conditions and the section entitled " <i>Summary of the Key Transaction Documents – Agency Agreement</i> " for further information.
Class Z VFN Registrar	BAWAG P.S.K.	Georg-Coch Platz 2, 1018 Vienna, Austria	See the section entitled " <i>The Seller, Class Z VFN Holder, Retention Holder and the Servicing Consultant</i> " and the Conditions for further information.
Corporate Services Provider	Structured Finance Management Limited	35 Great St. Helen's London EC3A 6AP	Corporate Services Agreement by the Issuer. See the sections entitled " <i>Summary of the Key Transaction Documents – The Corporate Services Agreement</i> " and " <i>The Corporate Services Provider and the Back-Up Servicer Facilitator</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
Share Trustee	SFM Corporate Services Limited	35 Great St. Helen's London EC3A 6AP	Share Trust Deed by the Share Trustee.
Arranger and Joint Lead Manager	Barclays Bank PLC (Barclays)	1 Churchill Place, London E14 5HP	See the section entitled " <i>Subscription and Sale</i> " for more information.
Joint Lead Manager	Citigroup Global Markets Limited (CGML)	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	See the section entitled " <i>Subscription and Sale</i> " for more information.
Joint Lead Manager	Credit Suisse Securities (Europe) Limited (Credit Suisse)	1 Cabot Square, London E14 4QJ	See the section entitled " <i>Subscription and Sale</i> " for more information.

RISK FACTORS

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

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

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

CREDIT STRUCTURE

Noteholders cannot rely on any person other than the Issuer to make payments on 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 Transaction Parties or by any person other than the Issuer.

The Issuer has a limited source of funds which may be insufficient to allow for repayment in full of the Notes

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 or in connection with the English Loans and the Scottish Loans (together, the **Loans**) in the Portfolio (including the Issuer's interest in the Scottish Trust), interest earned on the Bank Accounts, income from any Authorised Investments and amounts available in respect of the General Reserve Fund (applied in accordance with the terms of the Cash Management Agreement). Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation of the Issuer under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Assets following service of a Note Acceleration Notice is described below (see further "*Certain Insolvency Risks – Security and insolvency considerations*" below).

The Notes are limited recourse obligations of the Issuer

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

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;

- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal and interest),

then the Secured Creditors (which include the Noteholders) shall have no further claim against the Issuer or its directors, shareholders, officers or successors in respect of any amounts owing to them which remain unpaid (in the case of the Noteholders, principally payments of principal and interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be extinguished.

There are limitations on enforcement and the proceeds of that enforcement may not be enough to make all the payments due on the Notes

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

If the Issuer has insufficient funds on an Interest Payment Date, there will be a deferral of interest payments

If, on any Interest Payment Date whilst any of the Class A Notes remain outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) due on the Class Z VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 16 (*Subordination by Deferral*) of the Conditions to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class Z VFN, as applicable, becomes due and repayable in full in accordance with the Conditions. Any such deferral in accordance with the Conditions will not constitute an Event of Default.

If there are no Class A Notes then outstanding, the Issuer will not be entitled, under Condition 16 (*Subordination by Deferral*), to defer payments of interest in respect of the Class Z VFN.

Failure to pay interest in respect of the Class A Notes or, if there are no Class A Notes outstanding, the Class Z VFN, shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

The Issuer is subject to the risk of default in payment by Borrowers, and therefore payments in respect of the Notes are subject to a credit risk

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

Noteholders from all risk of loss. Should there be credit losses arising in respect of the Loans, this could have an adverse effect on the ability of the Issuer to make payments of interest and/or principal on the Notes.

Subordination

The Class Z VFN is subordinated in right of payment of interest and principal to the Class A Notes. There is no assurance that the subordination of the Class Z VFN will protect the holders of Class A Notes from all risk of loss.

Interest Rate Risk

The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Class A Notes. Some of the Loans in the Portfolio pay or will pay a fixed rate of interest for an initial period or for the term of the loan or a rate set by reference to the relevant Standard Variable Rate or BBR. However, the Issuer's liabilities under the Class A Notes are based on LIBOR for the relevant period.

The Standard Variable Rate applicable to the Loans will not be set at a rate which is lower than the minimum of: (i) for a period of 12 months from 5 May 2016 (being the date of completion of the sale to and purchase by Landmark Bidco Limited (the **Share Purchaser**) of all the issued shares in Landmark (the **Share Purchase Date**) a rate which is set by reference to the base rate of the Bank of England (the **Bank of England Base Rate**), and (ii) thereafter, at the higher of (X) the Standard Variable Rate set in accordance with (i) above and (Y) three month LIBOR plus 2.40 per cent. (the **SVR Floor**) provided that Landmark shall only be under an obligation to set the Standard Variable Rate in the above manner if it does not result in a breach of the applicable Mortgage Conditions and would not be contrary to a Requirement of Law (including without limitation, applicable guidelines of the Office of Fair Trading and applicable statements of good practice of the FCA) and may be undertaken in accordance with the standards of a Reasonable Prudent Mortgage Lender.

In the event that there was an increase in LIBOR, without (for whatever reason) a corresponding increase in the Standard Variable Rate, the Issuer may receive insufficient amounts to pay interest due in respect of the Notes.

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

The yield to maturity of the Class A Notes will depend on, among other things, the amount and timing of payment of principal and interest (including prepayments, sale proceeds arising on enforcement of a Loan and repurchases of (or payments of an indemnity amount in lieu of the Seller repurchasing, including any accrued interest) such Loans required to be made under the Mortgage Sale Agreement) on the Loans and the price paid by the holders of the Notes of each Class. Such yield may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans. Furthermore, if a Product Switch has been granted in respect of a Loan and the conditions for such Loan being retained in the Mortgage Portfolio are not met or a request for a Further Advance or a Flexible Drawing in respect of any Loan is granted by the Seller and the Issuer has insufficient funds, then the Seller will be obliged to repurchase such Loan, which may result in Principal Receipts in the form of repurchase proceeds payable by the Seller being used to pay down the Notes.

The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. However, the rate of payment cannot be predicted. Subject to the terms and conditions of the Loans, a Borrower may

"overpay" or prepay principal at any time. No assurance can be given as to the level of prepayments that the Portfolio will experience. In addition in respect of the period from and including the Closing Date to 5 May 2017 (being the date falling 12 months after the Share Purchase Date) (the **Initial Post-Acquisition Period**) the Borrowers will not be charged any Early Repayment Fees arising as a result of any such prepayment. Accelerated prepayments will lead to a reduction in the weighted average life of the Notes, subject to any previously repaid amounts being advanced to Borrowers as a result of a Flexible Loan. Generally, when market interest rates increase, borrowers are less likely to prepay their loans, while conversely, when market interest rates decrease, borrowers (in particular those paying by reference to a fixed interest rate, where there are no or minimal associated Early Repayment Fees) are generally more likely to prepay their loans. Borrowers may prepay loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken). If the Seller is required to make an indemnity payment to the Issuer in relation to a Loan and its Related Security because, for example, one of the Loans does not comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the relevant Loans.

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

The Issuer may, subject to certain conditions, redeem all of the Class A Notes on any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Class A Notes (as of the immediately preceding Calculation Date), is less than or equal to 10 per cent. of the aggregate of the original aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date. There is no obligation on any party to the transaction to repurchase the Portfolio and the Issuer is not required to accept any such offer to repurchase therefore, to the extent the Issuer chooses not to exercise this option. As such, no assurance can be given that the Class A Notes will be redeemed in full on or following such Interest Payment Date on which the aggregate Principal Amount Outstanding of the Class A Notes (as of the immediately preceding Calculation Date) is less than or equal to 10 per cent. of the aggregate of the Principal Amount Outstanding of the Class A Notes on the Closing Date as a result of a repurchase of the Portfolio by the Seller or otherwise.

In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if (A) a change in tax law results in the Issuer being required to make a deduction or withholding for or on account of tax, or (B) as a result of certain illegality events. See further "Terms and Conditions of the Notes" below.

Any redemption of the Notes following such matters, in particular where such event occurs within a short time of the Closing Date, may adversely affect the yield to maturity of the Notes.

Limited remedies available to the Issuer in respect of any breach of representation or warranty made by the Seller under the Mortgage Sale Agreement

If any of the Loan Warranties proves to have been untrue on the Closing Date or any of the Loan Warranties set out in the Mortgage Sale Agreement proves to have been materially untrue on the relevant Drawings Date and if such breach is not capable of remedy or, if capable of remedy, is not remedied within a 30 Business Day period as specified in the Mortgage Sale Agreement, then notice will be served on the Seller requiring the Seller to repurchase the relevant Mortgage Loan (which, for the avoidance of doubt, shall include any Mortgage Loan to which a Flexible Drawing relates) and its Related Security (and any other Mortgage Loan secured or intended to be secured by the same Related Security or any part of it), in an amount equal to the Current Balance of that Mortgage Loan.

Upon receipt of a Loan Repurchase Notice, the Seller may opt, by notice in writing (an **Election Notice**) given to the Issuer and the Security Trustee within 7 days of the delivery of that Loan Repurchase Notice, to (instead of repurchasing such Mortgage Loan and its Related Security)

indemnify the Issuer and keep indemnified the Issuer against all Liabilities relating to the breach of Loan Warranty and all PPI Liabilities relating to the PPI Claim and all Remediation Liabilities relating to the Remediation Claim (as applicable), which gave rise to the Loan Repurchase Notice (**Relevant Liabilities**) rather than repurchasing the relevant Mortgage Loan.

If any Loan is subject to the exercise of any actual or purported right of set off, any balance adjustment, any counterclaim or defence or any other act or omission which relates to: (i) a PPI Claim; or (ii) a Remediation Claim, as a result of which the amount payable or recoverable under the Loan is reduced or the Issuer is required to make any compensation or other payment or to pay any fine or penalty (all such reductions, compensation, payments, fines and penalties being **PPI Liabilities** and **Remediation Liabilities** respectively), then the Seller is similarly obliged to repurchase such Loan, or opt instead to indemnify the Issuer. No time limit or financial cap applies in respect of the Seller's obligations to the Issuer in the circumstances summarised in this paragraph, except in the case of any "**Additional Remediation Matters**" (being those matters which are identified after the Closing Date and up to the date falling 18 months after the Share Purchase Date to also be Additional Remediation Matters), in which case any such obligation on the Seller to repurchase (or, instead, to indemnify) the Issuer under the terms of the Mortgage Sale Agreement shall only apply to matters identified as being Additional Remediation Matters during the period from the Closing Date to the date falling 18 months after the Share Purchase Date. (See further "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Obligation to repurchase by the Seller and option to make an Indemnity Payment*" below.)

Without prejudice to the Seller's obligation to indemnify in the paragraph above, upon the giving of any Election Notice, the Seller may if the Relevant Liabilities are capable of being the subject of a valid claim by the Seller under the Option Agreement Rights, at its option, pursue a claim under the Option Agreement Rights, and if it does so the Seller shall pay any amounts received thereunder to the Issuer unless the Seller has already fully compensated the Issuer for all its losses in relation to the Relevant Liabilities, provided that such amounts shall not necessarily be an amount equal to the Current Balance (unless that is what the Relevant Liabilities are equal to). To the extent that the Issuer has at any time been fully compensated for all losses in relation to the Relevant Liabilities, the Issuer shall hold on trust and account to the Seller for any further compensation received by it in relation to the Relevant Liabilities up to a maximum of an amount equal to the aggregate of the amount received by the Issuer from the Seller under the indemnity referred to in the paragraph above in relation to the those Relevant Liabilities and the amount paid by the Seller to the Issuer under this paragraph. Any Relevant Liabilities of the Issuer in relation to any Mortgage Loan shall not exceed the amount that would have been payable by the Seller if it had repurchased that Mortgage Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement (i.e. the Current Balance of the affected Mortgage Loan).

As the amount of any Relevant Liabilities is based in part upon the amount of, *inter alia*, actual costs, damages or loss suffered by the Issuer, such Relevant Liabilities may not be known at the time at which the breach of Loan Warranty is discovered and further additional time (which could be months or years) may be required before such actual loss can be determined. Accordingly, any indemnity payment required to be made by the Seller in respect of any breach of Loan Warranty may be significantly delayed which may impact the ability of the Issuer to meet its payment obligations under the Notes.

Absence of secondary market

There is currently a limited secondary market for the Notes and securities similar to the Notes, and no assurance is provided that an active and liquid secondary market for the Notes will develop. None of the Notes have been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set out under "*Subscription and Sale*" and "*Transfer Restrictions and Investor Representations*". To the

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

Ratings of the Class A Notes may be qualified, downgraded or withdrawn after your purchase of the Notes, which may lower their market value

The ratings of the Class A Notes address the likelihood of (A) full and timely payment to the holders of the Class A Notes of all payments of interest due on each Interest Payment Date and (B) full and ultimate payment of principal on or before the Final Maturity Date of the Class A Notes. The rating assigned to the Class A Notes by Moody's also addresses, *inter alia*, the expected loss to a Noteholder in proportion to the Principal Amount Outstanding on the Closing Date of the Class A Notes held by such Noteholder on the Final Maturity Date.

The expected ratings of the Class A Notes to be assigned on the Closing Date are set out under "*Ratings*". A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency if, in its judgement, circumstances (including a reduction in the perceived creditworthiness of third parties, including a reduction in the credit rating of the Account Bank) in the future so warrant. See also "*Change of counterparties may reduce amounts available to the Issuer to make payments to Noteholders*" below.

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

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

As highlighted above, the ratings assigned to the Class A Notes by each Rating Agency are based on, among other things, the issuer default rating and the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings (or, in relation to Moody's, the deposit rating) of the Account Bank and the Collection Account Bank and any replacement Collection Account Bank. In the event one or more of these transaction parties are downgraded below the requisite ratings trigger, there can be no assurance that a replacement to that transaction party will be found which has the ratings required to maintain the then current ratings of the Class A Notes. If a replacement transaction party with the requisite ratings cannot be found, this is likely to have an adverse impact on the ratings of the Class A Notes and, as a consequence, the resale price of the Class A Notes in the market and the prima facie eligibility of the Class A Notes for use in liquidity schemes established by, *inter alios*, various central banks. The Class Z VFN will not be rated by the Rating Agencies.

Rating Agency Confirmation

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

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

Any such Rating Agency Confirmation may or may not be given at the sole discretion of each Rating Agency. Certain rating agencies have indicated that they will no longer provide Rating Agency Confirmations as a matter of policy. To the extent that a Rating Agency Confirmation cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions. It should be noted that, depending on the nature of the request, the timing of delivery of the request and of any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. A Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Rating Agency Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

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

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

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes or if so directed by an Extraordinary Resolution of the holders of the Class A Notes shall (subject, in each case, to being indemnified and/or pre-funded and/or secured to its satisfaction), give a Note Acceleration Notice to the Issuer that all amounts due in respect of all Classes of Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with Accrued Interest thereon as provided in the Trust Deed.

So long as no Class A Notes remain outstanding, upon the occurrence of an Event of Default, the Note Trustee shall, if so directed in writing by the holders of the Class Z VFN (subject 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 or in respect of which (in the case of the Security Trustee) it holds security. In respect of and at any time after the service of 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:

- (a) it shall have been directed to do so by (i) an Extraordinary Resolution of the Class A Noteholders, (ii) the Class Z VFN Holders or (iii) by the holders of at least 25 per cent. in Principal Amount Outstanding of the Class A Notes then outstanding; and
- (b) 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 Class Z VFN Holders as aforesaid so long as any Class A 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 further "*Terms and Conditions of the Notes – Condition 11 (Enforcement)*" below.

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

In relation to the covenant to be given by the Retention Holder to the Issuer and the Security Trustee in the Mortgage Sale Agreement in accordance with the CRR, AIFMR and Solvency II Regulation regarding the material net economic interest to be retained by it and (in respect of CRR only) certain requirements as to providing investor information in connection therewith, neither the Note Trustee nor the Security Trustee will be under any obligation to monitor the compliance by the Retention Holder with such covenant and will not be under any obligation to take any action in relation to non-compliance with such covenant.

RIGHTS OF NOTEHOLDERS AND SECURED CREDITORS

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 requisite majority for such vote).

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 or where ranking in any Priority of Payments is affected, 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, in order to enable the Issuer to:

- (a) comply with, or implement or reflect, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time;
- (b) comply with the requirements of Rule 17g-5 of the Exchange Act;
- (c) comply with any changes in the requirements of Article 405 of the CRR, Article 17 of Directive 2011/61/EU (as amended), Article 51 of the AIFMR or Article 254 of the Solvency II Regulation, after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR, the AIFMR, the Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto;
- (d) enable the Class A Notes to be (or to remain) listed on the Irish Stock Exchange;
- (e) enable the Issuer or any of the other transaction parties to comply with FATCA;
- (f) comply with any requirement to appoint an entity to carry out any disclosure or reporting requirements under the CRA Regulation;
- (g) comply 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;
- (h) to effect the appointment of the Back-Up Servicer (or any affiliate or related entity to the Back-Up Servicer) or a Successor Servicer, as applicable, to act as Servicer of the Loans, provided that:
 - (A) in the case of the appointment of the Back-Up Servicer or any affiliate or related entity, such person is appointed to act as Servicer of the Loans on substantially the same terms as the Replacement Servicing Agreement;
 - (B) in the case of the appointment of any third party to act as a Successor Servicer, the conditions to the appointment of a Successor Servicer as set out in the Servicing Agreement, are satisfied; and
- (i) enter into any new and/or amended bank account agreement (including where the unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded

below the required rating and the Issuer is required to take certain remedial action (as set out in the relevant Transaction Document) in order to maintain the ratings of the Class A Notes at their then current ratings), provided that the Issuer certifies to the Security Trustee and the Note Trustee (upon which the Security Trustee and Note Trustee shall rely without further enquiry or liability) that any such new agreement and/or amendment would not have an adverse effect on the then current rating of the Class A Notes and provided that neither the Note Trustee nor the Security Trustee shall be obliged to agree to any such new agreement and/or amendment which, in the sole opinion of the Note Trustee or the Security Trustee, would have the effect of (a) exposing the Note Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Note Trustee and/or the Security Trustee under the Transaction Documents and/or the Conditions,

(each a **Proposed Amendment**), subject to receipt by the Note Trustee and the Security Trustee of a certificate issued by the Issuer signed by two directors of the Issuer or issued by another Transaction Party certifying to the Note Trustee and the Security Trustee that the requested modifications in relation to any Proposed Amendment are to be made solely for the purpose of enabling the Issuer to satisfy such obligations under any Proposed Amendment and have been drafted solely to that effect and subject to the fulfilment of other requirements as set out in full in Condition 12.5 (*Additional Right of Modification*).

The Conditions also specify that certain categories of amendments (including changes to majorities required to pass resolutions or quorum requirements) would be classified as Basic Terms Modifications. Investors should note that a Basic Terms Modification is required to be sanctioned by an Extraordinary Resolution of each affected Class of Notes then outstanding.

The Conditions also provide that the Note Trustee may and/or may direct or instruct the Security Trustee to agree, without the consent of the Noteholders or the other Secured Creditors (other than any Secured Creditors which are party to the relevant Transaction Document), to (a) any modification (other than in respect of a Basic Terms Modification) of, or the waiver or authorisation of any breach or proposed breach of, the Conditions 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 (b) any such modification which, in the opinion of the Note Trustee, is of a formal, minor or technical nature or to correct a manifest error.

See "*Terms and Conditions of the Notes – Condition 12 (Meetings of Noteholders, Modification, Waiver and Substitution)*" below.

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

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 and the Class Z VFN Holders equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and those of the Class Z VFN Holder.

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, on the one hand, and the interests of the holders of another Class of Notes, on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the holders of the 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 Priority of Payments. As a result, holders of the Class Z VFN may not have their interests taken into account by the Note Trustee or the Security Trustee when the Note Trustee or the Security Trustee exercises discretion.

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

Conflict between Noteholder, and other Secured Creditors

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed and Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

RISKS RELATED TO THE MORTGAGES

Issuer may not have direct rights against third parties

The Seller has assigned its causes and rights of actions against solicitors and valuers to the Issuer pursuant to the Mortgage Sale Agreement in respect of the Loans other than the Scottish Loans; to the extent that they are assignable (the Seller itself having acquired such rights from CERH LLC pursuant to the Bawag Loan Sale Agreement pursuant to which CERH LLC assigned those rights it received from CERH pursuant to the CERH Loan Sale Agreement pursuant to which CERH assigned those rights it received from the Original Seller pursuant to the terms of the Option Agreement). In respect of the Scottish Loans, all rights that the Original Seller had in respect of any relevant solicitors or valuers in respect of the Scottish Loans will be held in trust for the Issuer pursuant to the terms of the Scottish Trust, as applicable. However the Seller was not the originator of the Loans and the said rights may therefore not have been effectively assigned to it by CERH LLC or held on trust for it by the Original Seller. The Issuer may therefore not have any direct rights against any solicitors or valuers who, when acting for the Originator in relation to the origination of any Loan, may have been negligent or fraudulent.

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

As the sale by the Original Seller to CERH of the English Loans and their Related Security takes effect in equity only and the sale by the Original Seller to CERH of the Scottish Loans was given effect by a Scottish declaration of trust (the **Existing Scottish Declaration of Trust**) created by the Original Seller in favour of CERH pursuant to the Granite Mortgage Sale Agreement dated 7 December 2015 (the **Granite Mortgage Sale Agreement**), CERH only had a beneficial interest in the Loans and their Related Security. CERH then sold such beneficial interest to CERH LLC pursuant to the CERH loan sale agreement dated 13 November 2015 (the **CERH Loan Sale Agreement**) and certain Scottish trust transfers created by CERH in favour of CERH LLC (the **CERH Scottish Trust Transfer**). CERH LLC then sold such beneficial interest in the Loans and their Related Security to the Seller pursuant to the Bawag loan sale agreement dated 13 November 2015 (the **Bawag Loan Sale Agreement**) and certain Scottish trust transfers created by CERH LLC in favour of the Seller (the **Bawag Scottish Trust Transfer**), resulting in the Seller only having a beneficial interest in the Loans and their Related Security.

The sale by the Seller to the Issuer of the English Loans and their Related Security (until legal title is conveyed) also takes effect in equity only. The sale by the Seller to the Issuer of the Scottish Loans and their Related Security is given effect to by the Legal Title Holder (at the direction of the Seller) (as beneficiary under the Existing Scottish Declaration of Trust, which trust is simultaneously unwound and released) declaring a Scots Law governed trust (the **Scottish Declaration of Trust**) in respect of the Scottish Loans and their Related Security in favour of the Issuer. By virtue of the Scottish Declaration of Trust, the beneficial interest in such Scottish Loans and their Related Security is held on trust (the **Scottish Trust**) for the benefit of the Issuer. The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales.

In each case, this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Legal Title Holder until the occurrence of a Perfection Trigger Event. The legal title to the Loans (and the related Unsecured Personal Loans) will be transferred to a new legal title holder as soon as reasonably practicable following the occurrence of a Perfection Trigger Event (see "*Summary of the Key Transaction Documents – Master Servicer and Legal Title Holder Deed*" below). The Issuer has not applied, and prior to the occurrence of a Perfection Trigger Event will not apply, to the Land Registry of England and Wales (the **Land Registry**) to register or record its equitable interest in the English Mortgages and cannot in any event apply to the General Register of Sasines or Land Register of Scotland (as appropriate) (together the **Registers of Scotland**) to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declaration of Trust.

Following a Perfection Trigger Event (i) notice of the transfer of legal title to the Loans to a new legal title holder will be given to the Borrowers in respect of the English Loans and their Related Security, and (ii) notice of the assignation of the Scottish Loans and their Related Security to a new legal title holder will be given to the Borrowers. Until the time such notice is given to the relevant Borrowers, equitable or independent set-off rights may accrue in favour of any Borrower against his or her obligation to make payments to the Legal Title Holder under the relevant Loan. Loans and their Related Security will continue to be subject to any prior rights any applicable Borrower may become entitled to after the transfer. However following notice of the assignment or assignation to the new legal title holder, being given to the Borrowers, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given. For the purposes of this Prospectus, references herein to **set-off** shall be construed to include analogous rights in Scotland. For further information on the effects of set-off in relation to the Portfolio, see below "*Set-off may adversely affect the value of the Portfolio or any part thereof*".

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby, a bona fide purchaser from the Legal Title Holder for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the Issuer would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan.

Neither the Seller nor the Issuer would be able to enforce any Borrower's obligations under a Loan or its Related Security itself but to the extent that the Servicer failed to take any or appropriate enforcement action against the relevant Borrower (in accordance with the Enforcement Procedures of the Servicer) the Issuer or the Security Trustee would be able to take action (under the power of attorney to be entered into pursuant to the Servicing Agreement) or would have to join the Legal Title Holder as a party to any legal proceedings. Borrowers will also have the right to redeem their Loan by repaying the relevant Loan directly to the Legal Title Holder. However, each of the Legal Title Holder and the Servicer undertakes, pursuant to the Servicing Agreement, to hold any money repaid to it in respect of relevant Loans on trust for the Issuer. In addition, the Seller will, pursuant to the Mortgage

Sale Agreement, agree to hold on trust any money repaid to it in respect of relevant Loans received from the Legal Title Holder or any other party (or on their behalf) 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.

See further the section entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" below.

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

As described above, the sale by the Seller to the Issuer of the English Loans and their Related Security will be given effect by an assignment and the sale of the Scottish Loans and their Related Security will be given effect by the Scottish Declaration of Trust.

Once notice has been given to the Borrowers of the assignment or assignation of the Loans and their Related Security to the new legal title holder, independent set-off rights (and the equivalent rights under Scots law) which a Borrower has against the Original Seller will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (being those set-off claims arising out of a transaction connected with the Loan, such as a failure to make a Flexible Drawing where the Borrower has a right to demand a drawing under the relevant Mortgage Conditions of the Loan including where the Borrower has made an earlier overpayment) will not be affected by that notice and will continue to exist.

The relevant Borrower may set off any claim for damages arising from the Original Seller's breach of contract (such as a failure to advance additional funds under a Borrower's express right to demand a Flexible Drawing be made to them pursuant to the terms and conditions of the relevant Loan) against the Original Seller's (and therefore, as equitable assignee of or holder of the beneficial interest in the Loans and their Related Security, the Issuer's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. These set-off claims will constitute transaction set-off, as described above.

The amount of any such claim against the Original Seller for equitable set-off will, in many cases, be the cost to the Borrower of finding an alternative source of funds. For example in the case of a failure by the Original Seller to fund a Flexible Drawing, the Borrower could, set off against the Issuer any additional cost of funding incurred in borrowing an amount equal to the relevant requested Flexible Drawing. In addition, where the Original Seller, has failed to effect a Port, having committed to do so, the Borrower could set off against the Issuer, where the Original Seller, failed to re-extend the relevant Loan, the difference between the rate of interest on the Loan and the interest rate at which the Borrower could borrow money in the market on the new property. In addition to the difference in the cost of borrowing, the relevant Borrower could also set off any direct losses arising from the Original Seller's, breach of contract; namely, the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

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

Although it is not currently envisaged that any Borrower would have a significant right of set-off against the Original Seller, the effect of the exercise of set-off rights by Borrowers (even if this is in respect of a small amount, but applicable to a large number of Borrowers in the Portfolio) may adversely affect the timing of receipt and ultimate amount received by the Issuer in respect of the relevant Loans and the realisable value of the Portfolio and/or the ability of the Issuer to make payments under the Notes. See also "*– Set-off risk due to payment protection insurance claims*" below.

Borrower remediations may arise from time to time in respect of the Loans. To the extent that any payments in relation to pending remediations are due to Borrowers, the Original Seller has undertaken to the Seller pursuant to the Option Agreement to carry out all remediation with the Borrowers and either pay such amounts directly to the relevant Borrowers to the extent a payment is due, or effect a remediation payment to the Borrower by way of an adjustment to the Current Balance of the affected Loans with a corresponding compensation payment to the Seller. Under the terms of the Mortgage Sale Agreement, the Seller has assigned its rights to receive any such payment to the Issuer (being a **Remediation Receipt**). The Original Seller will continue to compensate the Seller (and through the Seller, the Issuer) for the consequences of such ongoing remediation and, for a limited period, any remediation matters presently unidentified. Any such Remediation Receipt will be treated as Available Principal Receipts to be applied on each Interest Payment Date. No assurance can be given that the Issuer will be fully compensated for any such remediation payments or that further remediation payments will not be payable to the Borrowers either as a result of any action taken by or on behalf of the Original Seller or the Legal Title Holder, as applicable. Subject to the above, any additional remediation or any remediation for which the Issuer is not directly or indirectly fully compensated would have an adverse effect on the amounts available to the Issuer to effect payments on the Notes.

Set-off risk due to payment protection insurance claims

Financial institutions, including mortgage lenders, continue to see a volume of claims for redress made by claimants who claim they were mis-sold payment protection insurance (**PPI**).

The Financial Ombudsman Service (**FOS**) has provided guidance to the credit industry as to the correct approach to redress, which is published on its website (http://www.financial-ombudsman.org.uk/publications/technical_notes/ppi/redress.html). This is that the consumer should be put back into the position they would have been in but for the failure on the part of the lender or broker. Redress should be assessed on the basis that the claimant would not have purchased the policy, if the lender or broker had given a fair recommendation and/or had given appropriate information during the sale – and that the claimant should be compensated if he has been out-of-pocket in the meantime. The relevant regulators expect the credit industry to follow the FOS-mandated approach.

Depending on the precise circumstances of each case, redress will normally involve calculating what the current balance of the loan would have been if the consumer had made the same monthly payments but without PPI. This is calculated by deducting the PPI premiums and the interest and charges that resulted from those premiums (including those arising because the on-going balance on the loan was higher than it would have been, if the consumer had made the same payments to an account without PPI). If the reconstruction produces a credit balance for any period, the payment of interest (normally at the rate of 8 per cent. simple per year) should be added to the credit balances for the period that the account was in credit. This highly complex calculation methodology can result in high redress, particularly where the loan has been significantly utilised over a long period, as PPI is typically charged by reference to the loan balance. Where appropriate (for example, where the lender or broker rejected a complaint that it knew (or should have known) that the ombudsman service would uphold), damages for distress/inconvenience may also need to be considered.

PPI redress is generally paid by cheque to each individual claimant as a matter of course, except where the loan is delinquent, in which case the Borrower will be advised that redress is to be set off against the balance unless the Borrower opts to have it paid by cheque. Generally, it is within claimants' rights to request that their PPI redress is set off against their balance, giving rise to a risk that the Issuer does not receive the full amount otherwise owed by the Borrower under the relevant Loan.

The claimant will generally have a claim against the relevant lender or broker. However in the event that the lender or broker did not pay such redress to the borrower or the borrower sought to set off amounts under his or her loan, this may (to the extent that such amounts cannot be recovered by the Seller from the Original Seller or any group company of the Original Seller) have an adverse effect on 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.

Consumers may also bring claims against the lender, regardless of whether PPI was sold, for an unfair relationship where no disclosure of the amount of commission payable to the lender was disclosed to the consumer. Unfair relationships can arise in relation to CCA regulated loans but not in relation to regulated mortgage contracts.

SERVICING AND THIRD PARTY RISK

Interests of the Arranger and the Joint Lead Managers

The Arranger and/or the Joint Lead Managers and/or their Affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, BAWAG P.S.K. and/or their Affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Arranger and/or the Joint Lead Managers and/or BAWAG P.S.K. and/or 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 issued by the Issuer, BAWAG P.S.K. or their Affiliates. Certain Joint Lead Managers and/or the Arranger and/or their Affiliates that have a commercial relationship with BAWAG P.S.K. routinely hedge their credit exposure to BAWAG P.S.K. consistent with their customary risk management policies. Typically, such Arranger and/or the Joint Lead Managers and/or 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 Arranger and/or the Joint Lead Managers and/or their Affiliates may also make investment recommendations (including pursuant to advisory mandates) and/or publish or express independent research views in respect of such securities or financial instruments (or in relation to the Portfolio) and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Such recommendations may adversely affect the market for trading in any securities, including the Notes.

Issuer Reliance on other Third Parties

The Issuer is also a party to contracts with a number of other third parties who have agreed to perform services in relation to the Issuer and/or Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Servicer has agreed to provide certain administration services in respect of the Portfolio pursuant to the Servicing Agreement, the Servicing Consultant has agreed to provide certain services in respect of the servicing of the Portfolio pursuant to the Servicing Agreement, the Master Servicer has agreed to provide certain administration services in respect of

the Portfolio pursuant to the Master Servicer and Legal Title Holder Deed, the Account Bank has agreed to provide the Bank Accounts pursuant to the Bank Account Agreement, the Back-Up Servicer has agreed to provide back-up services in relation to the Portfolio pursuant to the Back-Up Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in their place promptly thereafter, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

Common servicing of the Loans, the related Unsecured Personal Loans and other loans under the Landmark brand

At the time of origination of certain of the Loans, the Original Seller offered Borrowers an accompanying unsecured personal loan (the **Unsecured Personal Loans**). The Unsecured Personal Loans were made under separate terms and conditions; however, in many cases the Borrowers make a single payment to the Original Seller representing amounts due in respect of both the Loans and the related Unsecured Personal Loans. On 13 November 2015, the Original Seller sold the Unsecured Personal Loans which are related to the Loans to CERH, which in turn onsold them to CERH LLC which in turn onsold them to the Seller. The Seller will retain the Unsecured Personal Loans including those related to the Loans in the Portfolio.

It is necessary to have a single servicer and master servicer appointed to service the Loans and the related Unsecured Personal Loans and a single legal title holder to hold legal title to the Loans and the related Unsecured Personal Loans (see "*Title Perfection Events and Setting of SVR pursuant to the terms of the Loan Management Deed and Master Servicer and Legal Title Holder Deed*" below). In addition, whilst Landmark is legal title holder of the Loans, the related Unsecured Personal Loans and the Other Landmark Loans, it is necessary to have the same servicer and master servicer appointed to service the Loans and the related Unsecured Personal Loans and the Other Landmark Loans as described below.

It will be a Servicer Termination Event in relation to the appointment of the Servicer under the Servicing Agreement if CMS, in its capacity as servicer in respect of any Unsecured Personal Loans which are linked to the Loans is removed as servicer in relation to such Unsecured Personal Loans. In addition, it will be a Servicer Termination Event in relation to the appointment of the Servicer under the Servicing Agreement if CMS, in its capacity as servicer in respect of Other Landmark Loans is removed as servicer in relation to such Other Landmark Loans unless the Seller and the Issuer elect to terminate Landmark as legal title holder of the Loans and the related Unsecured Personal Loans and retain CMS as servicer of the Loans and the related Unsecured Personal Loans.

Under the Loan Management Deed which the Issuer and the Seller, amongst others, will enter into on the Closing Date, it is a requirement that the Loans and the related Unsecured Personal Loans are serviced by the same servicer. Therefore, if the Seller (holding Unsecured Personal Loans), or any entity to whom the Unsecured Personal Loans are transferred in the future, is required to change its servicer that will result (pursuant to the terms of the Loan Management Deed) in the Issuer being required to terminate the role of the Servicer and appoint the same servicer that the Seller has determined to appoint.

The Seller and the Issuer have entered into the Back-Up Servicing Agreement with the Back-Up Servicer in respect of the Loans. However, if the Back-Up Servicer fails to assume the servicing obligations with respect to the Loans or the related Unsecured Personal Loans, the Seller and the Issuer will need to find a new successor servicer. Any such termination and appointment of a new

successor servicer is, however, contingent upon receiving a Rating Agency Confirmation as required under the terms of the Loan Management Deed.

Legal title to the Loans, the related Unsecured Personal Loans and the Other Landmark Loans is held by Landmark. Therefore, it is necessary to have the same servicer appointed to service the Loans, the Unsecured Personal Loans and the Other Landmark Loans across the Landmark brand. CMS currently services (a) the Unsecured Personal Loans and the Other Landmark Loans beneficial title to which is held by BAWAG P.S.K. pursuant to the BAWAG Servicing Agreement, and (b) the Other Landmark Loans beneficial title to which is held by entities other than BAWAG P.S.K. pursuant to the Landmark Long Term Servicing Agreement. However, if CMS is terminated or resigns as servicer under the Landmark Long Term Servicing Agreement, then BAWAG P.S.K. will liaise with Landmark and will determine the best strategy for the Loans and the related Unsecured Personal Loans going forward in accordance with the Loan Management Deed, which may involve either:

- (a) retaining Landmark as Legal Title Holder and Master Servicer of the Loans and the related Unsecured Personal Loans, terminating CMS as Servicer under the Servicing Agreement and the BAWAG Servicing Agreement and appointing a new servicer to service the Loans, the related Unsecured Personal Loans and the Other Landmark Loans. The intention is that the Back-Up Servicer would be appointed as replacement servicer in this situation to service the Loans, however the same servicer would also need to be appointed to service the related Unsecured Personal Loans and, for so long as Landmark is legal title holder of the Loans, the related Unsecured Personal Loans and the Other Landmark Loans; or
- (b) terminating the appointment of Landmark as Legal Title Holder and Master Servicer of the Loans and the related Unsecured Personal Loans and (subject to obtaining Rating Agency Confirmation) appointing a new entity as legal title holder, master servicer and servicer of the Loans and the related Unsecured Personal Loans.

Similarly, if CMS is terminated or resigns as servicer under the Servicing Agreement or the BAWAG Servicing Agreement, and Landmark does not elect to transfer servicing of the Other Landmark Loans to the Back-Up Servicer or such other successor servicer as may be nominated by BAWAG in accordance with the Loan Management Deed, then the Issuer and BAWAG will be required to terminate the appointment of Landmark as Legal Title Holder and Master Servicer of the Loans and the related Unsecured Personal Loans and appoint a new legal title holder and master servicer for the Loans and the related Unsecured Personal Loans.

Any change in Servicer, Master Servicer and/or Legal Title Holder could delay collection of payments on the Loans and ultimately could adversely affect the ability of the Issuer to make payments in full on the Notes. In particular, delays will arise if the Back-Up Servicer fails to assume the obligations of the Servicer of the Loans and if the Issuer and Back-Up Servicer Facilitator and the Seller cannot agree on the identity of any replacement servicer. There can be no assurance that the Back-Up Servicer will be able to perform its obligations under the Back-Up Servicing Agreement, in which case, there can be no assurance that a replacement servicer with sufficient experience of servicing both mortgage and unsecured personal loans would be found who would be willing and able to service both the Loans and the Unsecured Personal Loans and (if applicable) the Other Landmark Loans on the terms, or substantially similar terms, to those presently in place. In addition, as described below, any replacement servicer will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the **FSMA**) in order to service the Loans. Even if a servicer is found to service both the Loans, for the Issuer, and the related Unsecured Personal Loans, for the Seller (and, if applicable, the Other Landmark Loans for the beneficial title holders thereof), the ability of a replacement servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a replacement servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

Title Perfection Events and Setting of SVR pursuant to the terms of the Loan Management Deed and Master Servicer and Legal Title Holder Deed

The Loan Management Deed provides, among other things, that in the event that the transfer of legal title from the Legal Title Holder to another entity is triggered in relation to any Unsecured Personal Loans related to the Loans, this will also constitute a title perfection event in relation to the Loans (and vice versa). This would require the transfer of legal title to the Loans (and the related Unsecured Personal Loans) to another entity even if a title perfection event had not otherwise occurred under the Master Servicer and Legal Title Holder Deed. In turn, such a transfer of legal title would entail a requirement that, to the extent not then already the case, the same entity should be appointed as a replacement master servicer by the Issuer and the Seller of the related Unsecured Personal Loans.

It will also be a Perfection Trigger Event with respect to the Loans if (i) CMS ceases to be appointed (or resigns) as servicer of the Other Landmark Loans under the Landmark Long Term Servicing Agreement and BAWAG elects to retain servicing of the Loans and related Unsecured Personal Loans with CMS or (ii) a Servicer Termination Event occurs with respect to CMS or CMS resigns as Servicer under the Servicing Agreement or the BAWAG Servicing Agreement and Landmark elects to retain servicing of the Other Landmark Loans with CMS.

On and following any such transfer of legal title (**Perfection**), investors should note that the Loan Management Deed requires that the standard variable rate applicable to the Loans will not be set at a rate which is lower than the minimum of (i) for a period of 12 months from the Share Purchase Date, a rate which is set by reference to the Bank of England Base Rate, or (ii) thereafter, at a rate that is the higher of (1) 2.40% plus the maximum of (i) one-month Sterling LIBOR and (ii) three-month Sterling LIBOR and (2) the standard variable rate as at the Business Day immediately prior to Perfection plus any change in the Bank of England Base Rate, subject always to applicable law. There can be no assurance that setting the standard variable rate in this manner will maintain collections in relation to the Loans at their previous level.

Change of counterparties may reduce amounts available to the Issuer to make payments to Noteholders

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 Account Bank) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed by the FCA under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria set out in the relevant Transaction Documents and as described in this Prospectus, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable ratings criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. In addition, it may not be possible to find an entity with the ratings prescribed in the relevant Transaction Document who would be willing to act in the role. This may reduce amounts available to the Issuer to make payments of interest, principal and other amounts (as applicable) 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 (although this will not apply to mandatory provisions of law), in order to avoid the need for a replacement entity to be appointed. The consent of Noteholders may not be required in relation to such amendments and/or waivers.

Certain material interests and potential for conflicts

The Arranger and the Joint Lead Managers are part of global investment banking and securities and investment management firms that provide a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. As such, they actively make markets in and trade financial instruments for their own account and for the accounts of customers in the ordinary course of their business. The financial services that the Arranger and the Joint Lead Managers may provide also include financing and, as such, the Arranger and the Joint Lead Managers may have and/or may provide financing directly or indirectly to the Retention Holder (or the Seller) and/or any of its affiliates and related entities and such financing may directly or indirectly involve financing the Class Z VFN. In the case of any such financing, the Arranger and the Joint Lead Managers may have received security over assets of the Seller as the Retention Holder and/or its affiliates, including security over the Class Z VFN, resulting in the Arranger and the Joint Lead Managers having enforcement rights and remedies which may include the right to appropriate or sell the Class Z VFN. In carrying out such sale, the Arranger and the Joint Lead Managers would not be required to have regard to the retention requirements and any such sale may therefore from such time cause the transaction described in this Prospectus to cease to be compliant with such requirements.

THE PORTFOLIO

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

As at the Portfolio Reference Date none of the Loans in the Provisional Portfolio (calculated by reference to the Current Balance of the Loans at the main-account level) are in arrears (meaning the relevant Borrower is an amount equal to at least one monthly payment past due on the relevant Loan) and none of the relevant Properties have been repossessed. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Although interest rates are currently low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies (and analogous arrangements) of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

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

properties permitted by law are restricted in the future. There can be no assurance that the level of Loans in arrears will remain at their current levels and not increase.

The Seller is not the Originator of the Loans

Whilst the underwriting standards of originators generally consider, among other things, a Borrower's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property and those underwriting standards are used with a view, in part, to mitigating the risks in lending to Borrowers, the Seller was not the originator of the Loans and therefore has limited knowledge as to the origination and lending policies used by the Originator in relation to the Loans, especially in relation to Loans originated prior to October 2003 for which standard documentation is not available.

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

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

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

Declining property values

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

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

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

Geographic Concentration Risks

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

Terms of Interest-only Loans may be amended resulting in the Issuer and Noteholders receiving earlier redemption payments on the relevant Loan and the relevant Notes

Each Loan in the Portfolio may be repayable either on a capital repayment basis or an interest-only basis (**Interest-only Loans**) (see "*The Loans – Repayment terms*" below) or on a part interest-only and part repayment basis. The Provisional Portfolio contains 48.6% % Interest-only Loans, calculated on the basis of the Current Balance of the Provisional Portfolio as at the Portfolio Reference Date. Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, it is generally recommended that Borrowers ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. The Seller does not have and the Issuer will not have the benefit of any investment policies taken out by Borrowers.

The ability of a Borrower to repay an Interest-only Loan at maturity will often depend on such Borrower's ability to refinance or sell the Property or to obtain funds from another source such as pension policies, personal equity plans or endowment policies.

Borrowers of Interest-only Loans may not make payment of the premiums due on any relevant investment or life policy taken out in relation to repayment of the relevant interest-only mortgages in full or on time, which policies may therefore lapse, and/or no further benefits may accrue thereunder. In certain cases, the policy may be surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not be applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-only Loan at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, Personal Equity Plans (PEPs), Individual Savings Accounts (ISAs) or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest-only Loan and a loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured from Available Revenue Receipts being applied for such purpose in accordance with the Pre-Acceleration Revenue Priority of Payments. The Portfolio is made up of a large proportion of seasoned Loans. As such a large proportion of Borrowers in the Portfolio have passed the point at which most Borrowers either refinance their borrowing or switch to a Repayment Loan. A large number of Borrowers who currently have Interest-only Loans may not switch to a Repayment Loan prior to the final maturity date of the relevant Mortgage. If a large number of Borrowers are unable to repay their Interest-only Loan at maturity and there is a high concentration of such Borrowers within a short period of time, the ability of the Issuer to make repayments on the Notes could be adversely affected.

As a result of recent UK Government attention, borrowers with Interest-only Loans which are mortgages have been encouraged to switch to a Repayment Loan, whereby the principal of the loan is repaid over its term. Should a Borrower elect, subject to the consent of the Legal Title Holder and the Servicer, to amend the terms of its Loan from an Interest-only Loan to a Repayment Loan, the relevant Loan would remain with the Issuer as part of the Portfolio, resulting in the Issuer and Noteholders receiving redemption payments on the relevant Loan and the relevant Notes respectively, earlier than would otherwise be the case. See further "*Risk Factors – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*" above.

No assurance that Issuer will receive benefit of any claims under Insurance Contracts

The Mortgage Conditions require Borrowers to have buildings insurance for the relevant Property. However, it will be difficult in practice for the Servicer and/or the Issuer to determine whether the relevant Borrower has valid insurance in place at any time. The Issuer does not have the benefit of any contingent insurance to cover the risks of a Borrower failing to have buildings insurance but will have an interest in a policy, which will give the Issuer certain protection in respect of the risks associated with repossessed properties. However, no assurance can be given that the Issuer will always receive the benefit of any claims made under this insurance contract or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property or otherwise cover the losses of the Issuer. This could adversely affect the Issuer's ability to make payment of interest and/or principal in respect of the Notes.

SEARCHES, INVESTIGATIONS AND WARRANTIES IN RELATION TO THE LOANS

Seller does not have direct knowledge of matters represented in certain Loan Warranties

Although the Seller will give certain representations and warranties in respect of the Loans sold by it, the Seller was not the originator of any of the Loans comprised in the Portfolio and has acquired its interest in the Loans and their Related Security from CERH LLC under the Bawag Loan Sale Agreement and the Bawag Scottish Trust Transfer, CERH LLC acquired its interest in the Loans and their Related Security from CERH pursuant to the CERH Loan Sale Agreement and the CERH Scottish Trust Transfer where CERH acquired its interest in the Loans and their Related Security under a sale agreement entered into on 7 December 2015 by the Original Seller, the Granite Finance Trustees Limited and CERH (the **Granite Mortgage Sale Agreement**), an agreement entered into on 13 November 2015 between amongst others, Landmark and CERH (the **Option Agreement**) in respect of the Loans, and the Existing Scottish Declaration of Trust. The Option Agreement contains limited warranties made by the Original Seller in respect of the Loans, and contains no repurchase obligation of the Original Seller in the event of a breach of such warranties. Rather, liability of the Original Seller for breach of representation and warranty is limited under the terms of the Option Agreement in both amount and duration, and is subject to certain minimum threshold amounts.

The Seller does not have direct knowledge as to whether certain Loan Warranties (including the Loan Warranties which relate to the origination process or servicing of the Portfolio prior to its acquisition by the Seller) are correct or not. Accordingly it may be practically difficult for the Seller to detect a breach of warranty in respect of the Loans sold by it to the extent that the same relates to a matter outside of the immediate knowledge of the Seller and there is no on-going active involvement of the Original Seller to monitor or notify any defect in relation to the circumstances of the Loans. The Seller and the other transaction parties will have limited obligations to monitor compliance with the Loan Warranties following the Closing Date and those warranties given pursuant to the Option Agreement.

To the extent that a breach of warranty by the Original Seller is discovered, and any amount in respect thereof is recovered under the terms of the Option Agreement, the rights of the Seller in respect of such amounts are assigned to the Issuer pursuant to the terms of the Mortgage Sale Agreement, and will form part of the revenues available to the Issuer. To the extent that any such

amounts recovered from the Original Seller are insufficient to fully compensate the Issuer for any loss in relation to the relevant Loan, it will be the obligation of the Seller to indemnify the Issuer for such loss, or repurchase the relevant Loan. There can be no assurance that the Seller taking into account (amongst other things) the performance of its other businesses at the time, will honour, or have the resources to honour, such obligations.

Limitations on certain activities relating to the Loans during the Initial Post-Acquisition Period

Pursuant to the terms of the Option Agreement, BAWAG P.S.K. and the Share Purchaser (and pursuant to the Deed of Covenant, the Issuer) have undertaken that they shall, during the Initial Post-Acquisition Period (i) procure that any Loans which are in arrears are dealt with in accordance with the Original Seller's debt management policies subject to certain notification requirements; (ii) set the interest rate on any Loan (which is subject to a Standard Variable Rate by reference to the Bank of England Base Rate); and (iii) not charge any Early Repayment Fees in connection with any such Loans notwithstanding the fact that the terms of such Loans may provide for such charges.

Under the terms of the Master Servicer and Legal Title Holder Deed, the Standard Variable Rate applicable to the Loans will not be set at a rate which is lower than the minimum of (i) for a period of 12 months from the Share Purchase Date, a rate which is set by reference to the Bank of England Base Rate, or (ii) thereafter, at the higher of (X) the Standard Variable Rate set in accordance with (i) above and (Y) three month LIBOR plus 2.40 per cent. (the **SVR Floor**) provided that the Servicer shall only be under an obligation to set the Standard Variable Rate in the above manner if it does not result in a breach of the applicable Mortgage Conditions and would not be contrary to a Requirement of Law (including without limitation, applicable guidelines of the Office of Fair Trading and applicable statements of good practice of the FCA) and may be undertaken in accordance with the standards of a Reasonable Prudent Mortgage Lender.

Pursuant to the terms of the Option Agreement, the Seller and any assignee of the Seller (including the Issuer pursuant to the Deed of Covenant) are subject to certain restrictions in relation to the Loans, including that for a period of 12 months from the Share Purchase Date, SVR shall only be moved in line with Bank of England Base Rate changes and the Servicer undertakes to observe such restrictions in the Servicing Agreement.

There can be no assurance that setting the Standard Variable Rate in relation to the loans in the way described, or adhering to the other restrictions obtained above, would not have an adverse effect on the ability of the Issuer to make payments under Notes.

Flexible Terms in relation to certain Loans may have an adverse effect on amount of funds available to pay Noteholders

Certain of the Loans permit Borrowers to take a payment holiday, entitling the Borrower to not pay amounts that would otherwise be due under the Loan, but to add any such payments that would otherwise have been made to the Current Balance of the Loan. In addition, certain of the Loans permit a Borrower (to the extent of previous overpayments – including any overpayments made prior to the Closing Date or in respect of any retentions) either not make any further payments under the loan to the extent the relevant account is in credit or request a Flexible Drawing (subject in certain cases to satisfaction of certain conditions set out in the terms and conditions of the Loan). Any Flexible Drawing will be funded by the Issuer from Principal Receipts, prior to application in accordance with the Pre-Acceleration Principal Priority of Payments, or by the Class Z VFN Holder.

The exercise of such rights by Borrowers (in particular where a number of Borrowers have exercised such rights) would have an adverse effect on the amount of funds available to pay interest, principal and other amounts due on the Notes. In addition the funding of any Flexible Drawing would affect the yield to maturity on the Notes resulting in Noteholders receiving payments of principal on the Notes

later than would have been anticipated. For further information see further "*Risk Factors – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*" above and "*The Loans*".

CERTAIN REGULATORY CONSIDERATIONS

Impact of FCA Regulation on Mortgage Business

In the United Kingdom, regulation of residential mortgage business under the Financial Services and Markets Act 2000 (**FSMA**) came into force on 31 October 2004 (the date known as the **Regulation Effective Date**). Residential mortgage lending under the FSMA is regulated by the FCA (and prior to 1 April 2013, the FSA). Subject to certain exemptions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under the FSMA requiring authorisation and permission from the FCA.

A credit agreement entered into on or after the Regulation Effective Date but before 21 March 2016 is a **Regulated Mortgage Contract** under the FSMA if, at the time it was entered into: (a) the borrower was an individual or trustee; (b) the contract provided for the obligation of the borrower to repay to be secured by a first legal mortgage (or Scottish first ranking standard security) on land (other than timeshare accommodation) in the UK; and (c) at least 40 per cent. of that land was used, or was intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust or by a related person (broadly, the borrower's spouse, near relative or a borrower with whom the borrower has a relationship which is characteristic of a spouse). Although all of the Loans were entered into before 21 March 2016, it is important to note that the definition of Regulated Mortgage Contract changed on 21 March 2016 with the implementation of the directive on credit agreements relating to residential immovable property for consumers which was adopted as Directive 2014/17/EU by the council of the European Union on 28 January 2014 (the Mortgage Credit Directive). For further detail on this definitional change – which has retrospective effect – see "*Risk Factors – Changes to mortgage regulation as a result of the Mortgage Credit Directive and otherwise and to the regulatory structure in the United Kingdom may adversely affect payments on the Notes*" below. Although none of the Loans are (or at origination were intended to be) buy-to-let credit agreements, it is important to note that in general, buy-to-let credit agreements entered into on or after the Regulation Effective Date should not be Regulated Mortgage Contracts.

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

offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the Borrower except with the approval of a court.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the Consumer Credit Act 1974 (the **CCA**) or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on: (a) determining whether any credit arises or whether any applicable financial limit of the CCA is exceeded; (b) determining whether the credit agreement or any part of it falls within the definition of a Regulated Mortgage Contract; (c) determining whether the credit agreement is an exempt agreement (for example, certain types of credit agreement to finance the purchase of, or alteration to, homes or business premises, or Regulated Mortgage Contracts under the FSMA, or certain buy-to-let credit agreements); or (d) changes to credit agreements.

The Servicer holds authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange Regulated Mortgage Contracts. The Seller and the Issuer are not, and do not propose to be, authorised persons under the FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required authorisation and permission under the FSMA. If such a servicing agreement terminates, however, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSMA authorisation and permission.

In addition, on and after the Regulation Effective Date, 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. As a result, in the event that a Loan 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.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook (**MCOB**), which sets out rules under the FSMA for regulated mortgage activities, was published when the FCA was the FSA on the Regulation Effective Date. 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 other rules covering matters such as prudential requirements and for extending the appointed representatives regime to mortgages also came into force on the Regulation Effective Date.

Although the conduct of business regime for Regulated Mortgage Contracts is contained almost entirely within FCA rules such as MCOB and therefore supervised and enforced by the FCA as the responsible regulator, a Borrower who is a private person may still be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of a rule under the FSMA, and may attempt 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 set-off may adversely affect the Issuer's ability to make payments on the Notes.

So as to avoid dual regulation from the Regulation Effective Date, it was HM Treasury's intention that Regulated Mortgage Contracts were not also regulated by the CCA. Certain regulations made in 2005 and 2008 under the FSMA were designed to clarify this policy position. This exemption only affects credit agreements made on or after the Regulation Effective Date and credit agreements made

before the Regulation Effective Date but subsequently changed such that a new contract is entered into on or after the Regulation Effective Date and constitutes a separate Regulated Mortgage Contract. A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that the credit agreement would, apart from the exemption referred to above, be regulated by the CCA or treated as such. Where a credit agreement is regulated by the CCA or treated as such, any failure to comply may render the contract unenforceable (in some cases without a court order), as to which see further "*Risk Factors – Risks in relation to recharacterisation as a loan regulated by the Consumer Credit Act 1974*" below. More recently, however, the implementation of the Mortgage Credit Directive has introduced a concept of a '**Consumer Credit Back Book Mortgage Contract**' which ensures that borrowers under certain Regulated Mortgage Contracts entered into before 21 March 2016 are provided with the statutory protections they would have received had their regulated credit agreements not been recharacterised as Regulated Mortgage Contracts by the Mortgage Credit Directive Order 2015. That said, very few, if any, Loans are likely to fall within the definition of Consumer Credit Back Book Mortgage Contract.

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller will, upon receipt of notice from the Issuer, either repurchase the relevant Loans and their Related Security or be liable to make an indemnity payment in respect of the relevant Loans and their Related Security from the Issuer in accordance with the Mortgage Sale Agreement. See further "*Risk Factors – Seller does not have direct knowledge of matters represented in certain Loan Warranties*" above.

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

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

Changes in the regulatory structure of the United Kingdom's financial services industry came into effect on 1 April 2013 when the new regulator, the FCA, replaced the previous regulator, the FSA, as the UK financial services industry's principal conduct regulator with a remit covering regulated activities under FSMA including to the regulation of residential mortgage business under the FSMA.

Over three years on from the FCA's inception, it still remains to be seen if the FCA will adopt a more stringent approach towards the regulation of residential mortgage business than that adopted by the FSA.

The FCA has the power to render unenforceable contracts made in contravention of its product intervention rules. The Financial Services Act 2012 permits the FCA to make temporary product intervention rules (**TPIRs**) prohibiting authorised persons from taking a number of actions, including entering into specified contracts with any person or with a specified person. TPIRs are intended to offer protection to consumers in the short term whilst either the FCA or the industry develop more permanent solutions and, in any event, are limited to a maximum duration of 12 months. In relation to agreements entered into in breach of a TPIR, the FCA's rules may provide: (i) for the relevant agreement or obligation to be unenforceable; (ii) for the recovery of any money or other property paid or transferred under the agreement; or (iii) provide for the payment of compensation for any loss sustained under the relevant agreement or obligation. In March 2013 the FSA published a policy statement "The FCA's use of temporary product intervention rules" following a consultation addressing when and how the FCA will consider making TPIRs. The FCA will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make the rules if it deems prompt action is necessary to reduce or prevent that detriment. In particular, the FCA will consider factors such as: the potential scale of detriment in the market and potential scale of detriment to individual customers; whether particular groups of customers (especially vulnerable customer groups) are more likely to suffer detriment; and whether the use of TPIRs will have any unintended consequences.

The FCA has significant regulatory flexibility to alter its rules and to provide guidance on existing rule.

Risks in relation to recharacterisation as a loan regulated by the Consumer Credit Act 1974

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

A credit agreement is a regulated credit agreement where (a) the borrower is or includes an "individual" or a "relevant recipient of credit" (which includes certain small partnerships and certain unincorporated associations); (b) if the credit agreement was made before the financial limit was removed (as described below), the amount of "credit" as defined in the CCA did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date, and (c) the credit agreement is not an exempt agreement. The financial limit of £25,000 was removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements.

While the Loans comprising the Portfolio have not generally been documented as regulated credit agreements, there remains a risk that a Loan could be recharacterised as a regulated credit agreement. Were this to occur, it is possible that the changes to the CCA described above could result in adverse effects on the enforceability of certain Loans and consequently the Issuer's ability to make payment in full on the Notes when due.

Any credit agreement that is wholly or partly regulated as a regulated credit agreement under the CCA / FSMA or treated as such must comply with requirements under the CCA / FSMA as to licensing or authorisation of lenders and brokers, documentation and origination procedures of credit agreements and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then it is unenforceable against the Borrower; (a) without an order of the FCA or the court, if the lender or any broker did not hold the required licence or authorisation at the relevant time;

(b) totally, if the credit agreement was made before 6 April 2007 and if the form of such credit agreement was not signed by the Borrower personally or omits or mis-states a "prescribed term" or does not meet the requirements around cancellation where relevant; or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the Borrower and any culpability of the lender.

As is the case for Regulated Mortgage Contracts, the Issuer is not required to be authorised merely to hold beneficial title to any Loans which are treated as regulated credit agreements. As at the Closing Date the Issuer will only hold beneficial title to the Loans. The Issuer does not expect that it will need to be authorised in the event that legal title is transferred to the Issuer upon the occurrence of a Perfection Trigger Event. The Issuer expects that it will be exempt from carrying on any regulated activity in respect of any regulated credit agreements, in particular the activity of exercising, or having the right to exercise, the rights and duties of a lender under article 60B(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. This is by virtue of an exemption within paragraph 55 of the Financial Services and Markets Act 2000 (Exemption) Order 2001 which applies where certain conditions are met, including where: (i) the Issuer has appointed a properly authorised servicer to service the Loans; and (ii) the Issuer will not, is not required to and has not promised to grant any credit, by way of further advance or otherwise, in respect of the Loans.

In addition to authorisation and compliance with strict form and content requirements, recharacterisation as a regulated credit agreement poses a number of conduct of business risks, including the following:

- A regulated credit agreement for fixed-sum credit will be unenforceable for any period in which the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period in which the lender fails to comply with further requirements as to periodic statements and arrears notices, (b) the Borrower is not liable to pay interest or, in certain cases, default fees for any period in which the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and thereafter to simple interest. Early Repayment Fees are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or is treated as such. A more restrictive formula applies generally to all such credit agreements made on or after 11 June 2010.
- A court order under section 126 of the CCA is necessary to enforce a land mortgage (including in Scotland, a standard security) securing a credit agreement to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such application, the court has the power, if it appears just to do so, to amend the credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared). Any such amendment or conditions could change the repayment profile and/or amounts recoverable from the Borrowers and may adversely impact the Issuer's ability to make payments on the Notes.
- Under section 75 of the CCA, in certain circumstances the lender is liable to the Borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by a credit agreement that is wholly or partly regulated by the CCA or treated as such, where the credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier. Section 75 applies where the cash price of the item is no lower than £100 and no greater than £30,000. In addition, a Borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person (under FSMA) of a rule under FSMA. From 1 April 2014, such rules include rules in the Consumer Credit sourcebook (**CONC**). The lender may also be entitled to a statutory indemnity from the supplier against

such liability, subject to any agreement between the lender and the supplier. The Borrower may set off the amount of the claim against the lender against the amount owing by the Borrower under the loan or under any other loan agreement that the Borrower has taken with the lender (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

Loans which are not Regulated Mortgage Contracts might also be subject to the CCA's "unfair relationship" test in sections 140A-C which apply to all credit agreements, except Regulated Mortgage Contracts, entered into after 6 April 2008. As a result, few if any of the Loans are likely to be subject to these unfair relationship provisions. If the court makes a determination that the relationship between a lender and a Borrower is unfair, then it may make an order, among other things, requiring the Original Seller, or any assignee such as the Issuer, to repay amounts received from such Borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's and the lender's conduct before and after making the agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR and now the CRA (as defined below). The courts may, but are not obliged to, look solely to the Consumer Credit Act 2006 (which introduced section 140A-C of the CCA) for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

It is important to note that the Original Seller has had to interpret certain technical rules under the CCA in a way common with many other lenders in the mortgage market. If such interpretation were held to be incorrect by a court or the Ombudsman (as defined below), then a Loan, to the extent that it is recharacterised as regulated by the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of Borrowers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller will, upon receipt of notice from the Issuer, either repurchase the relevant Loans and their Related Security or be liable to make an indemnity payment in relation to the relevant Loan(s) and their Related Security to the Issuer. See further "*Risk Factors – Seller does not have direct knowledge of matters represented in certain Loan Warranties*" above.

Changes to mortgage regulation as a result of the Mortgage Credit Directive and otherwise and to the regulatory structure in the United Kingdom may adversely affect payments on the Notes

In October 2012, the FSA (as it then was) published final rules as a result of its mortgage market review that was launched in 2009 in the wake of the financial crisis. The rules implementing the mortgage market review generally came into force on 26 April 2014 with transitional arrangements where, among other things, the borrower does not take on additional borrowing. These rules have, for example, imposed more stringent requirements on lenders to assess the affordability of a loan made to a borrower and to verify the income of a borrower.

Shortly before the mortgage market review was fully implemented, the council of the European Union adopted the Mortgage Credit Directive which each member state of the EU (a **Member State** such as

the United Kingdom were required to implement the Mortgage Directive into national law by 21 March 2016.

The Mortgage Credit Directive aims to create an EU-wide mortgage credit market with a high level of consumer protection and it applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a **Member State**) on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building and; (c) extends the Consumer Credit Directive (2008/48/EC) to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a total amount of credit above €75,000. Although none of the Loans were intended to be buy-to-let mortgages on origination, it is notable that the Mortgage Credit Directive also applies to buy-to-let mortgages.

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

Although the Mortgage Credit Directive generally only applies to credit agreements entered into on or after 21 March 2016, as discussed above, the UK's implementation of the Mortgage Credit Directive will also operate retrospectively to regulate certain credit agreements secured on land entered into on or before 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.

The UK Government and the FCA consulted extensively on the transposition and implementation of the Mortgage Credit Directive. In September 2014 the UK Government published a consultation paper on the transposition of the Mortgage Credit Directive together with a draft impact assessment and draft Mortgage Credit Directive Order 2015 (the **MCD Order**). The draft MCD Order contained amendments to legislation including the FSMA, CCA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. The final text of the draft MCD Order, together with a draft explanatory memorandum and draft transposition table, was published on legislation.gov.uk on 28 January 2015.

On 25 March 2015, the MCD Order was passed in order to make the necessary legislative changes to implement the Mortgage Credit Directive. In short, the MCD Order: (i) puts in place a new regulatory regime for consumer buy-to-let mortgages; (ii) widens the definition of a Regulated Mortgage Contract, for example, to include second charge mortgages; and (iii) transfers the regulation of some existing agreements (e.g. second charge mortgages) from the FCA's consumer credit regime to the FCA's mortgage regime. Whilst certain provisions of the MCD Order came into force before 21 March 2016, the MCD Order took effect for most purposes on 21 March 2016.

As the Mortgage Credit Directive has only been implemented into UK law since 21 March 2016, it is too early to tell what effect the implementation of the Mortgage Credit Directive into UK law would have on the Seller, the Original Seller, the Issuer and/or the Servicer and their respective businesses and operations."

Any further changes to the UK resident mortgage regulatory regime, for example, changes to MCOB or FSMA itself arising from HM Treasury proposals to change mortgage regulation or changes in the regulatory structure or reviews of the implementation of the FCA's mortgage market review or the implementation of the Mortgage Credit Directive, may adversely affect the Loans, the Originator, the Issuer, the Servicer and their respective businesses and operations.

Risk of Loans being characterised as cancellable under the Financial Services (Distance Marketing) Regulations 2004

In the United Kingdom, the Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under these regulations but will be subject to related pre-contract disclosure requirements in MCOB. Certain other credit agreements will be cancellable under these regulations if the borrower does not receive the prescribed information at the prescribed time, or in any event for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the borrower receives the last of the prescribed information.

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

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

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

Impact of the Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and Consumer Rights Act 2015

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, 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 Consumer Rights Act 2015 (the **CRA**) revoked the UTCCR unfair contract terms regime and would apply to all Loans originated on or after 1 October 2015. However, since all of the Loans were entered into before 1 October 2015, the UTCCR continue to apply.

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

regulator (in most if not all cases the FCA) may seek to enjoin (or in Scotland, interdict) a business from relying on unfair terms.

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

The responsibility for enforcing the UTCCR was divided between the OFT and the FCA before 1 April 2014. From 1 April 2014, the responsibilities of the OFT were transferred to the Competition and Markets Authority (the **CMA**) which has been responsible for enforcing the UTCCR and/ or the CRA, as applicable, since that date and does so concurrently with the FCA and other regulators. In March 2014, the CMA published guidance on its approach to the use of its consumer protection powers. In January 2016, the CMA and the FCA published a Memorandum of Understanding on the use of their concurrent powers under the consumer protection legislation including the CRA (replacing their previous Memorandum of Understanding dated June 2014). The Memorandum of Understanding clarifies the division of responsibilities between the CMA and the FCA under the CRA, stating that the FCA will consider fairness within the meaning of the CRA and the UTCCRs in financial services contracts such as the Loans issued by authorised firms like the Seller. Although the CMA may consider fairness, it will not usually expect to do so where the firm concerned is an authorised firm under FSMA such as the Seller. If the FCA considers that the CMA is better placed to deal with an unfair terms complaint, it will pass the case to the CMA for it to decide whether, in its view, action by the CMA is required and, if so, what action is appropriate. The CMA has adopted a number of consumer guidance publications issued by the OFT. The guidance has been adopted un-amended and does not reflect developments in case law, legislation or practice since the date of the publication.

Although not all OFT guidance has been adopted by the CMA, where the CMA has not contradicted OFT guidance or indicated that enhanced requirements apply, where practicable, the Seller has continued to comply with the old guidance in the spirit of fairness to borrowers. For example, on February 2000, the OFT issued a guidance note for mortgage lenders on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example, by an Early Repayment Fee 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 Fee. The OFT withdrew the guidance note from its website, but the guidance note may remain as a factor that the FCA and CMA may take into account.

In May 2005, the previous regulator, the FSA issued a statement of good practice on fairness of variation terms in consumer contracts, which was expressed to be relevant to firms authorised and previously regulated by the FSA and now by the FCA in relation to products and services within the FSA's regulatory scope, in particular, residential mortgage lenders. This statement provides that, for locked-in borrowers (i.e. where the borrower is required to give advance notice, pay a cost or give up

a benefit in order to terminate the contract), a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In the context of the OFT's investigation into credit card default fees, the OFT in April 2006 issued a statement of its view of the principles that credit card issuers should follow in setting default fees, and that the principles are likely to apply to analogous default fees in other contracts such as mortgages. The principles are in essence that terms imposing default fees should not have the object of raising more in revenue than is reasonably expected to be necessary to recover certain limited administrative costs incurred as a result of a borrower's default.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The previous regulator, the FSA, issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the Unfair Contract Terms Regulatory Guide (previously in the FSA handbook and now in the FCA handbook) came into force. This guide is designed to explain the FCA's policy on how it would use its powers under the 1999 Regulations. In January 2012, the previous regulator, the FSA published finalised guidance entitled "Unfair contract terms: improving standards in consumer contracts" and "Statement on using Switching Terms in mortgage contracts under the Unfair Terms in Consumer Contracts Regulations 1999". Under the later guidance the FSA considered that terms in interest-only mortgage contracts that allow firms to switch consumers from an interest-only mortgage to a repayment mortgage may be regarded as unfair if they give the firm too broad a discretion to determine when such switching terms will apply. Further, where switching terms are determined to be unfair by a court, the firms will be unable to switch the consumer from an interest-only mortgage to a repayment mortgage, as such switching terms will not bind that consumer. In January 2012, the FSA issued a further statement intended to raise awareness of issues that it commonly identifies under the UTCCR. The May 2005, January 2007 and January 2012 guidance has recently been removed from the FCA's website because they no longer reflect the FCA's current view on unfair contract terms pending new guidance on the Consumer Rights Act 2015 and in light of wider legal developments. The FCA has not indicated how it considers the material it has removed to be inconsistent with its current views and the FCA has since confirmed that it does not intend to issue further guidance on unfair contract terms. The FCA website states as at 7 November 2016 that:

"We have recently updated our Unfair Contract Terms Regulatory Guide (UNFCOG) in light of the CRA coming into force. UNFCOG sets out our approach to assessing the fairness of a contract term. In UNFCOG 1.3.4(2), we state that, in deciding whether to ask a firm to undertake to stop including a term in new contracts and/or to stop relying on it in concluded contracts, we will consider the full circumstances of each case, this may include:

- (i) whether we are satisfied that the contract term may properly be regarded as unfair within the meaning of the CRA,
- (ii) the extent and nature of the detriment to consumers resulting from the term or the potential harm which could result from the term,
- (iii) whether the firm has fully cooperated with the FCA in resolving our concerns about the fairness of the particular contract term".

On 31 July 2015, the CMA issued guidance on the unfair terms provisions in the Consumer Rights Act 2015 (the **CRA**) (the **CMA Guidance**).

The fairness and transparency provisions of the CRA apply only to contracts entered into on or after 1 October 2015 but as they are regarded to be "effectively the same as those of the UTCCR" (as

indicated in the CMA guidance), the CMA Guidance may also be relevant to interpretation of the UTCCR. However, the July 2015 guidance makes it clear that the CRA generally carries forward rather than changes the substance of the protections provided to consumers under earlier legislation. Indeed, the document also notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs".

The CMA Guidance is general in nature and unlike the February 2000 OFT guidance notes and the May 2005 FSA statement of good practice is not expressed to be of particular relevance to mortgage lenders, although it is relevant. Accordingly, it is less specific than the earlier guidance note and statement and, as it is expressly stated not to be meant primarily for lawyers, is less easy to interpret. As regards general variation clauses, it seems to place greater emphasis on "transparency" which it indicates means setting out the circumstances, method and reasons for the use of the right of variation in an appropriately clear and specific way but it fails to give any guidance as to what it expects in relation to a typical residential mortgage contract. It seems to revert to a principle set out in the February 2000 OFT guidance note that fairness is more likely to be achieved where there is a right for the consumer to bring the contract to an end if the consumer is not adversely affected by that termination.

The CMA Guidance is expressly stated to be general in character and not intended to replace CMA guidance dealing with particular market sectors. It is not known if the CMA or the FCA will issue guidance which is more specific to mortgage lenders.

MCOB rules for Regulated Mortgage Contracts require that (a) arrears charges represent a reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears, and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the balance of any payment shortfall, excluding any interest or charges on that balance. In October 2010, the FSA issued a statement that, in its view, Early Repayment Fees are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR, provided that they are written in plain and intelligible language and are adequately drawn to the borrower's attention.

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

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

Decision made by Financial Ombudsman Service may affect the ability of the Issuer to make payments to Noteholders.

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**), an independent adjudicator, is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and

guidance, rather than strictly on the basis of compliance with law. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code, issued by the Council of Mortgage Lenders, before the Regulation Effective Date may be dealt with by the Ombudsman.

Complaints properly brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a monetary award to a complaining Borrower, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the Issuer to make payments to Noteholders.

Impact of Consumer Protection from Unfair Trading Regulations 2008

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

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

The Unfair Practices Directive is implemented into UK law by the Consumer Protection from Unfair Trading Regulations 2008 (the **CPUTR**), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment. The possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. The CPUTR did not originally provide consumers with a private act of redress. Instead, consumers had to rely on existing private law remedies based on the law of misrepresentation and duress. However, the CPUTR was amended by the Consumer Protection (Amendment) Regulations 2014, which came into force on 1 October 2014 and included the recommendations for reform published by the Law Commission and Scottish Law Commission. The CPUTR was amended so as to give consumers a direct right of action including a right to unwind agreements within 90 days of entering into a contract if a misleading or aggressive practice under the CPUTR was a significant factor in the consumer's decision to enter into the contract. The amendments to the CPUTR also extend the regime so that it covers misleading and aggressive demands for payment and will therefore apply to debt collection activity with regard to commercial demands for payment.

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

The Unfair Practices Directive provided for a transitional period until 12 June 2013 for the application of full harmonisation in the fields to which it applies. In March 2013, the European Commission

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

Delay in mortgage repossession due to certain requirements may result in lower recoveries and a lower repayment rate on the Notes

A protocol for mortgage repossession cases in England and Wales came into force on 19 November 2008. This protocol set out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three months after a borrower who is an owner-occupier is in arrears. The application of such moratorium is subject to the wishes of the borrower and may not apply in cases of fraud.

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

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

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

Impact of Land Registration Reform in Scotland

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

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

recording of an assignation of a standard security (which, in relation to Loans, would extend to any assignation granted by the Legal Title Holder in favour of the Issuer, in respect of Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Master Servicer and Legal Title Holder Deed following a Perfection Trigger Event (a **Scottish Sasine Transfer**)).

The relevant provisions of the 2012 Act relating to the recording of standard securities came into force on 1 April 2016 (the **Commencement Date**). As of this date, the General Register of Sasines is now closed to the recording of securities. Despite the provisions of the 2012 Act mentioned above, for the time being, other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely although the Registers of Scotland have reserved the right to consult further on this issue in the future.

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

The impact of these changes to the Scottish land registration system is unlikely to be of material detriment to the Security Trustee or to the Noteholders for the following reasons: (i) the Registers of Scotland report on the consultation process indicated that whilst these changes are likely to prolong completion of the registration process, where possible they will take a pragmatic view and not burden parties (such as the Issuer, Security Trustee or the Borrower who owns the underlying Scottish Property) with unreasonable or arbitrary costs; and (ii) whilst the prolonged registration process is likely to be of practical inconvenience to the Security Trustee and Noteholders, the validity and effectiveness of any Scottish Sasine Sub-Security would be unaffected by the change to the registration system (and the relevant Scottish Mortgages would in any event continue to be covered by the floating charge granted by the Issuer under the Deed of Charge). However, it is likely that, if a Perfection Trigger Event were to occur after the Commencement Date, the parties involved would encounter increased legal and other third party costs relating to the first registration process and additional administrative burden.

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

As noted above, such events will only occur following a Perfection Trigger Event and given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (Registers of Scotland estimate that in April 2016 around 59 per cent of property titles in Scotland were registered in the Land Register of Scotland) it is likely that, in relation to the current Provisional Portfolio where 9.87 per cent of the Properties are located in Scotland, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

Potential effects of any additional regulatory changes

No assurance can be given that additional regulatory changes by the CMA, the FCA, the Ombudsman or any other regulatory authority, or a result of legislative change will not arise with regard to the mortgage market in the United Kingdom generally, the Original Seller's particular sector in that market or specifically in relation to the Original Seller. Any such action or developments or compliance costs

may have a material adverse effect on the Originator, the Servicer, the Issuer, the Master Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

Financial Services Compensation Scheme and "Help to Buy" Scheme not applicable

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

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to borrowers for the purchase of new homes. The shared equity loans became 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 (**LTV**). The guarantee loans became available from 1 October 2013. The Loans in the Portfolio do not benefit from any guarantee provided under the "Help to Buy" Scheme and as such no Loan will have the benefit of any government guarantee or support. Although the mortgage market has benefited from stimulus provided by the "Help to Buy" scheme, the scheme is due to be withdrawn on 31 December 2016 and this could have a material adverse effect on mortgage demand across the industry.

CERTAIN INSOLVENCY RISKS

Insolvency legislation in the United Kingdom

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

Limitation on the Security Trustee's ability to enforce the Security due to company voluntary arrangement and small companies moratorium

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

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

During the period for which a moratorium is in force in relation to a company, *inter alia*, no winding-up may be commenced or administrator appointed to that company, no administrative receiver of that company may be appointed, no security created by that company over its property may be enforced (except with the leave of the court) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court). In addition, if the holder of

security (the **chargee**) created by that company consents or if the court gives leave, the company may dispose of the secured property as if it were not subject to the security. Where the property in question is subject to a floating charge, the chargee will have the same priority in respect of any property of the company directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the floating charge. Where the security in question is that other than a floating charge, it shall be a condition of the chargee's consent or the leave of the court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security. Further, during the period for which a moratorium is in force in respect of a company it may not make any payments with respect to debts or liabilities existing prior to the date of filing for a moratorium unless (i) there are reasonable grounds for believing the payment will benefit the company, and (ii) the payment is approved by a committee of creditors of the company if established or, if not, by the nominee of the proposed company voluntary arrangement.

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

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

Security and insolvency considerations

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

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

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986 (as noted

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

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

Fixed charges may take effect under English law as floating charges

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

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

Liquidation expenses payable out of floating charge assets in priority to the claims of the floating charge-holder

Prior to the House of Lords' decision in the case of *Re Leyland Daf* [2004] UKHL 9 (**Re Leyland Daf**), the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act 1986, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer which would otherwise have been available to the Secured Creditors would be

reduced by the amount of all, or a significant proportion of, any liquidation expenses which could have an adverse effect on the ability of the Issuer to make payments in respect of the Notes.

Risks relating to the Banking Act 2009

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 UK incorporated entities, including authorised deposit-taking institutions and investment firms and powers to recognise and give effect to certain resolution actions in respect of 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. A relevant transaction party for these purposes includes the Collection Account Bank.

The tools available under the Banking Act include share and property transfer powers (including powers for partial property transfers), bail-in powers, certain ancillary powers (including powers to modify certain 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 systems of the United Kingdom. The Banking Act includes provisions related to compensation in respect of transfer 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 UK authorities may choose to exercise them.

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

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 relevant entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made. While there is provision for compensation in certain circumstances under the 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 BRRD (as defined below) 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 the Account Bank) 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.

Risks related to the Bank Recovery and Resolution Directive and the Seller

The directive establishing a framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the **BRRD**) was published in the Official Journal of the EU on 12 June 2014 and came into force on 2 July 2014. Amongst other things, the BRRD provides for the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities (including a bail-in tool) and for special rules for cross-border groups. The BRRD was implemented in its entirety (including Section 5 Chapter IV of Title IV BRRD i.e. the provisions on the "bail-in tool"), in Austria via the Bank Recovery and Resolution Act (Bankensanierungs- und Abwicklungsgesetz – **BaSAG**), which came into force on 1 January 2015. Section 5 Chapter IV of Title IV BRRD was not required to be implemented until 1 January 2016, but was implemented in Austria on 1 January 2015, pursuant to BaSAG, along with the rest of the BRRD.

BaSAG includes a provision for a special resolution regime pursuant to which the Austrian Financial Markets Authority (the **FMA**) has extended tools to deal with the failure (or likely failure) of certain Austrian credit institutions. The tools available under BaSAG include share and property transfer powers (including powers for partial property transfers), bail-in tools (including debt write-downs), certain ancillary powers (including powers to modify contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the FMA.

There can be no assurance that the Noteholders would not be adversely affected by any amendments and/or any action taken against BAWAG P.S.K. pursuant to BaSAG. Accordingly, there can be no assurance that any such amendment or action, if taken, would not materially and adversely affect BAWAG P.S.K.'s operating results, financial position and prospects.

In particular, if an instrument or order were to be made under the provisions of BaSAG in respect of BAWAG P.S.K., such action may (amongst other things) affect the ability of BAWAG P.S.K. to satisfy its obligations under the Transaction Documents and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entity under the Transaction Documents or in other modifications to such documents. In particular, the exercise of such powers may result in the modification of (i) certain trust arrangements, (ii) contractual arrangements 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 of the FMA in accordance with BaSAG in respect of BAWAG P.S.K. may affect the ability of the Issuer to meet its obligations in respect of the Notes.

TAX CONSIDERATIONS

UK Taxation position of the Issuer

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

EU financial transaction tax may give rise to tax liabilities for the Issuer with respect to certain transactions

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, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia). However, Estonia has since stated that it will not participate. If the Commission's Proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

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

The FTT may give rise to tax liabilities for the Issuer with respect to certain transactions (including 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 the participating EU Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear.

Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

U.S. Foreign Account Tax Compliance Act may affect payments on the Notes

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

Withholding Tax may result in Noteholders receiving less as a result of such withholding or deduction

In the event that any withholding or deduction for or on account of any taxes is imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will, in accordance with Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*) of the Notes, use reasonable endeavours to prevent such an imposition in respect of payments under the Notes.

As of the date of this Prospectus, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Class A Notes provided that the Class A Notes carry a right to interest and are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes and the Class A Notes will be treated as listed on the Irish Stock Exchange if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Irish Stock Exchange. The applicability of any withholding or deduction for or on account of United Kingdom taxes in relation to payments of interest on the Class A Notes is discussed further under "*United Kingdom Taxation*" below.

GENERAL MARKET RISKS

Changes or uncertainty in respect of LIBOR may affect value of Notes and the payment of interest thereunder

The London Inter Bank Offering Rate (**LIBOR**) has been subject to review and are currently subject to various investigations regarding whether the banks that contributed to the British 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 Class A Notes, (b) any uncertainty with respect to LIBOR (including in relation to the determination of the rate of interest payable on the Loans) may adversely affect liquidity of the Class A Notes and their market value and (c) it is not possible to ascertain at this time whether any reforms to LIBOR would have the effect of a sudden or prolonged increase or decrease in LIBOR or whether such reforms could have an adverse impact on the value of the Class A Notes and the payment of interest thereunder.

Definitive Notes and denominations in integral multiples

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

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

Considerations relating to Book-Entry Interests

Unless and until Definitive Notes are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of the Notes under the Trust Deed. After payment by the Principal Paying Agent to 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 Notes to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

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

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

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

Unlike Noteholders, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by or on behalf of the Issuer for consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the relevant provisions described herein under "*Terms and Conditions of the Notes*" below. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. No Relevant Party nor any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

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

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

Economic conditions in the Eurozone may 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.

Concerns relating to credit risk of sovereigns and of those entities which have exposure to sovereigns have recently intensified. In particular, concerns have been raised with respect to continuing economic, monetary and political conditions in the region comprising of the Member States of the EU that have adopted the single currency in accordance with the Treaty establishing the European

Community (signed in Rome on 25 March 1957) as amended (the **Eurozone**). If such concerns 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 within those Member States and/or any changes to, including any break-up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents (including the Servicer, the Account Bank and/or the Cash Manager) and/or any Borrower in respect of its Loan.

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

Risks in relation to the United Kingdom's vote to leave the European Union

On 23 June 2016 the UK held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union. There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the business of the Issuer or one or more of the other parties to the Transaction Documents. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

CERTAIN REGULATORY RISKS

Change of law may adversely affect the compliance of the transaction with applicable law and regulation

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

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

The Basel III reform package (referred to as **Basel III**) (a regulatory capital and liquidity framework approved by the Basel Committee on Banking Supervision (the **Basel Committee**) 2011 has been implemented in the European Economic Area (the **EEA**) through the CRR and an associated directive (the re-cast Capital Requirements Directive (the **CRD**) (and together with the CRR, **CRD IV**), which was published in the Official Journal of the European Union on 27 June 2013. The CRR establishes a single set of harmonised prudential rules for financial institutions and certain minimum liquidity standards which apply directly to all credit institutions in the EEA, with the CRD containing less prescriptive provisions which (unlike the CRR, which applies across the European Union without the

need for any member state-level legislation) are required to be transposed into national law. Together the CRR and CRD reinforce capital standards and establish a leverage ratio backstop. Full implementation began from 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely effective by 2019 and some minor transitional provisions provide for phase-in until 2024). As CRD IV allows certain national discretions, the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published certain proposed revisions to the securitisation framework, including changes to the approaches to calculating risk weights and a new risk weight floor of 15 per cent.

The changes under CRD IV and Basel III as described above may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes, therefore impacting investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences for and effect on them of any changes to the Basel III framework (including the changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of both the asset-backed securities (**ABS**) and mortgage-backed securities (**MBS**) markets. 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 capital charge to certain investors in ABS/MBS securitisation exposures and/or the incentives for certain investors to such securities, and may thereby have a negative impact on such investors liquidity in such instruments. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Joint Lead Managers, the Arranger, the Seller, the Note Trustee, the Security Trustee, a Paying Agent, the Cash Manager, the Registrar, the Servicing Consultant, the Servicer or the Master Servicer makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment on the Closing Date or at any time in the future.

In particular, 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 undertakings for the collective investment in transferable securities 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 the position of its note in the relevant priorities of payment, 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. Investors should therefore make themselves aware of such requirements and

any proposed changes to such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non-compliance with the relevant EU risk retention and due diligence requirements should seek guidance from their regulator and/or independent advice on the issue. In this regard investors should be aware that although the Notes to be held by the Retention Holder are transferable instruments, the Retention Holder has covenanted to maintain its retention, on an on-going basis, of a net economic interest of not less than 5 per cent. in the securitisation constituted by the transaction. (See the section entitled "*Risk Retention Requirements*" for further details.)

With respect to the commitment of the Retention Holder to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party, please see the statements set out in the section of this Prospectus headed "*Risk Retention Requirements*". Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements and none of the Issuer, the Servicer, the Master Servicer, the Servicing Consultant, the Note Trustee, the Security Trustee, a Paying Agent, the Cash Manager, the Registrar, the Seller, the Arranger nor the Joint Lead Managers or any other party makes any representation that the information described above is sufficient in all circumstances for such purposes.

The EU risk retention and due diligence requirements described above, any changes to such requirements 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.

Prospective investors should 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.

Impact of CRA Regulation

In general, European-regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

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

From 2017, each of the Issuer and the Retention Holder will be required to comply with any applicable requirements under Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under Articles 3 to 7 of Regulation (EU) No. 2015/3) (together, the **Article 8b Requirements**) in respect of any relevant notes

issued by the Issuer. As at the date of this Prospectus, aspects of the Article 8b Requirements remain subject to further clarification.

Legal considerations may restrict certain investments

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

TRANSACTION OVERVIEW - PORTFOLIO AND SERVICING

The section below sets out a description of the Loans and their related security comprising the Portfolio. On the Closing Date, the Seller will sell its beneficial interest in the loans comprising the Portfolio to the Issuer. Please refer to the sections entitled "Summary of the Key Transaction Documents – Mortgage Sale Agreement", "Characteristics of the Provisional Portfolio" and "The Loans" for further detail in respect of the characteristics of the Portfolio and the sale arrangements in respect of the Portfolio.

Portfolio: The Portfolio comprises Loans secured over residential properties located in England, Wales or Scotland.

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

Each Loan and its Related Security comprising the Portfolio was originated by the Originator. As such, the Seller has no contractual relationship with any of the Borrowers in respect of any Loan.

Sale of Portfolio: On 7 December 2015, pursuant to the Granite Mortgage Sale Agreement, CERH agreed to acquire (in respect of the Loans other than the Scottish Loans) an equitable interest and (in respect of the Scottish Loans) a beneficial interest in a portfolio of loans and their related security which included the Loans and their Related Security from the Original Seller. CERH then on-sold to various parties such beneficial interest in the portfolio of loans including (in respect of the Loans other than the Scottish Loans) such equitable interest and (in respect of the Scottish Loans) a beneficial interest in a portfolio of loans and their related security which included the Loans and their Related Security pursuant to the CERH Loan Sale Agreement to CERH LLC. CERH LLC then on-sold such beneficial interest in the portfolio of loans including (in respect of the Loans other than the Scottish Loans) such equitable interest and (in respect of the Scottish Loans) a beneficial interest in a portfolio of loans and their related security which included the Loans and their Related Security pursuant to the Bawag Loan Sale Agreement to BAWAG P.S.K.

On the Closing Date, pursuant to the Mortgage Sale Agreement, the Seller will transfer its equitable or beneficial interest in the Loans and their Related Security comprising the Portfolio to the Issuer, in exchange for the Consideration.

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

The sale by the Seller to the Issuer of each Scottish Loan and its Related Security in the Portfolio will be given effect by a declaration of trust in favour of the Issuer granted by the Legal Title Holder, in relation to the Scottish Loans comprised in the Portfolio on the Closing Date, pursuant to the Mortgage Sale Agreement and the

Master Servicer and Legal Title Holder Deed (the **Scottish Declaration of Trust**).

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

Perfection and Notification:

The following sets out certain perfection and notification steps which will be undertaken in respect of the Loans.

Prior to the occurrence of a Perfection Trigger Event, notice of the sale of the Loans and their Related Security comprising the Portfolio will not be given to the relevant individual or individuals specified as borrowers in respect of a Loan or the individual or individuals (if any) from time to time assuming an obligation to repay (under a guarantee or otherwise) such Loan or any part of it (collectively, the **Borrowers** and each a **Borrower**) and the Issuer will not apply to the Land Registry or the Registers of Scotland to register or record its equitable or beneficial interest in the English Mortgages or take any steps to complete or perfect its title to the Scottish Mortgages.

Prior to the occurrence of a Perfection Trigger Event, the legal title to each Loan and its Related Security in the Portfolio will be held by Landmark or any person to whom legal title to the Loans is subsequently transferred (the **Legal Title Holder**) on bare trust for the Issuer (save that, in respect of a Scottish Loan and its Related Security, the Legal Title Holder will hold title to such Scottish Loan and its Related Security on trust for the Issuer pursuant to the Scottish Declaration of Trust). On and following the occurrence of a Perfection Trigger Event notice of the transfer of legal title to the Loans and their Related Security to the Issuer or to its nominee will be sent to the relevant Borrowers, and legal title to the Loans and their Related Security (subject to appropriate registration or recording at the Land Registry or the Registers of Scotland (as appropriate)) will pass to the new legal title holder.

Following the occurrence of a Perfection Trigger Event, the Seller and the Issuer agree that legal title in the Loans (and the related Unsecured Personal Loans) and their Related Security will be transferred to the new legal title holder (including, in respect of any Scottish Loan and its Related Security under the Scottish Trust).

Features of the Loans:

The following is a summary of certain features of the Loans

comprising the Provisional Portfolio as at the Portfolio Reference Date and investors should refer to, and carefully consider, further details in respect of the Loans set out in the sections of this Prospectus entitled "*The Loans*" and "*Characteristics of the Provisional Portfolio*". The Loans comprise loans to Borrowers and are secured by first charges or (in Scotland) first standard securities over freehold, heritable and leasehold properties in England, Wales or Scotland.

The number of Sub-Accounts in the Provisional Portfolio is 11,273.

	Average	Maximum
Current Balance	£77,755	£1,175,950
	Weighted average	Maximum
Indexed Current LTV	61.7%	95.0%
Seasoning (months)*	124.5	174.9
Remaining Term (months)*	180.6	314.0

Consideration:

The Issuer will use the gross proceeds of the issue of the Class A Notes to pay a portion of the Initial Consideration. If the proceeds of the Class A Notes are insufficient to pay the Initial Consideration in respect of the Portfolio, the remaining portion of the Initial Consideration will be funded using the proceeds of the Class Z VFN. The 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. The Issuer will pay Deferred Consideration to the Seller from excess Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments.

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

- (a) the original amount advanced to the relevant Borrower and any further amount (including any Further Advance Amount or Flexible Drawing Amount) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage;
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or

* As at the Portfolio Reference Date.

accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage,

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

Representations and Warranties:

The Seller will make certain Loan Warranties to the Issuer regarding the Loans and Related Security comprised in the Portfolio on the Closing Date which include (but are not limited to) the following:

- (a) each Mortgage Loan and its related Mortgage and Related Security constitutes the legal, valid, binding and enforceable obligations of the relevant Borrower in accordance with its terms, except that:
 - (i) enforceability may be limited by (A) bankruptcy or insolvency of the Borrower, (B) the court's discretion in relation to equitable remedies; (C) the Unfair Terms in Consumer Contracts Regulations 1999, the Unfair Contract Terms Act 1977 and the Consumer Rights Act 2015; and (D) the CCA; and
 - (ii) no warranty is given that any Early Repayment Fees, administration fees, exit fees or charges payable in the event of Borrower default are valid, binding and enforceable,

and each related Mortgage secures the repayment of all advance, interest, costs and expenses payable by the relevant Borrower (other than in relation to any prepayment charges).

- (b) each Mortgage Loan is denominated in, and all amounts in respect of such Mortgage Loan are payable in, sterling and may not be changed by the relevant Borrower to any other currency;
- (c) so far as the Seller is aware, each Mortgage Loan and its Related Security, was originated in accordance with all Applicable Laws (save for those Applicable Laws referred to in paragraphs (a)(i)(C) and (a)(i)(D) above), as to which no statement is made in this paragraph) and internal policies and procedures of the Legal Title Holder in force, and as interpreted or generally applied, at the relevant time;
- (d) each Mortgage Loan was made on and remains on materially the same terms as are set out in the Standard Documentation

or, where there have been any changes to those terms, those changes would have been acceptable to a Prudent Lender operating in the market at the time the relevant Mortgage Loan was approved;

- (e) subject to completion of any registration or recording of a Mortgage relating to any Mortgage Loan which may be pending (and there is nothing to prevent that registration or recording being effected), such Mortgage constitutes a first valid and subsisting first ranking legal mortgage or (in relation to Scottish Mortgages) standard security over the relevant Property and secures in priority to all other mortgages, charges and Standard Securities all monies owing under the Mortgage Loan;
- (f) as far as the Seller is aware, the Legal Title Holder has complied with its obligations under and has exercised its rights in accordance with each of the Loans and the relevant Related Security and it has administered each of the Loans and the relevant Related Security in accordance with the relevant contractual terms and Applicable Laws in all material respects; and
- (g) each relevant Property is located in England, Wales or Scotland.

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

Seller's repurchase obligation in relation to the Loans and Related Security:

The Seller is under an obligation to repurchase the relevant Loan and its Related Security upon a breach of Loan Warranties not capable of remedy or if capable of remedy, not remedied within the agreed grace period or make an indemnity payment in lieu thereof.

Indemnity payment in relation to the Loans and Related Security:

The Seller may instead opt to make an indemnity payment in relation to Loans and their Related Security upon a breach of Loan Warranties not capable of remedy or if capable of remedy, not remedied within the agreed grace period, rather than repurchase the relevant Loan in the manner described above. Accordingly, if the Seller so chooses, instead of effecting a repurchase of the relevant Loan, it shall indemnify and keep indemnified the Issuer against all Liabilities relating to the breach of the Loan Warranty.

Repurchase or indemnity in relation to PPI or Remediation

In addition to the regime regarding Loan Warranty breaches described above under the Mortgage Sale Agreement, in the event that the Issuer suffers a loss as a result of a PPI Claim or a Remediation Claim, the Seller is similarly obliged to repurchase such Loan, or opt instead to indemnify the Issuer to the extent of the PPI Liabilities or Remediation Liabilities. No time limit or financial cap applies in such circumstances, except in the case of any "Additional Remediation Matters" (being those matters which are identified by Landmark after the Closing Date and up to the date falling 18 months after the Share

Purchase Date to also be Additional Remediation Matters), in which case any such obligation on the Seller to repurchase (or, instead, to indemnify) the Issuer under the terms of the Mortgage Sale Agreement shall only apply to matters identified as being Additional Remediation Matters during the period from the Closing Date to the date falling 18 months after the Share Purchase Date.

Amount of repurchase price:

Other than in respect of a repurchase by the Seller of the Portfolio to effect a redemption of the Notes on an Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (other than the Class Z VFN) (as of the immediately preceding Calculation Date), is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date, the amount of the repurchase price by the Seller in relation to an affected Loan and its Related Security shall be an amount equal to the Current Balance (including accrued interest) of the Loan(s) prior to any deductions or downward balance adjustment or payments that may have been applied or made in respect of remediation, claims or set-off related to the relevant Loan Warranty, PPI Liability or Remediation Liability for which such Loan is being repurchased. See the section entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" for further information.

Limit on indemnity amount:

Any indemnity payable by the Seller in respect of Relevant Liabilities will not exceed the amount that would have been payable by the Seller if it had repurchased that Loan and its Related Security.

Further Advances, Porting, Product Switches and Flexible Drawings:

The sale of Loans and their Related Security comprised in the Mortgage Portfolio shall not impose or include any obligation on the Issuer:

- (a) to agree to a Product Switch or a Porting request; or
- (b) to agree to any Authorised Underpayments or any Payment Holiday,

and the obligations referred to in paragraphs (a) and (b) above (if any) shall at all times, and notwithstanding the sale of such Loans and their Related Security to the Issuer, remain an obligation of the Legal Title Holder.

The Seller undertakes to the Issuer to repurchase (in respect of a Loan other than a Scottish Loan) the equitable interest and (in respect of a Scottish Loan) the beneficial interest in the relevant Loan if a Borrower requests at any time a Product Switch, and it is agreed that such request will be accommodated.

The Seller undertakes to the Issuer to repurchase (in respect of a Loan other than a Scottish Loan) the equitable interest and (in respect of a Scottish Loan) the beneficial interest in the relevant Loan if a Borrower requests at any time a Further Advance and the Issuer is unable to fund such Further Advance from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall, and it is agreed that such request

will be accommodated.

Further Advance means, in relation to a Loan, any advance of further money, other than a Flexible Drawing, following a request from the relevant Borrower and which is secured by the same Property as the Loan where the lender has a discretion as to whether to accept that request, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage.

Porting means any substitution of a Property which is subject to a Mortgage in respect of a Loan with another Property which is not contrary to the relevant Mortgage Conditions.

The Legal Title Holder will not agree to a Porting request or a Product Switch from a Borrower unless (x) the Legal Title Holder is contractually obliged to do so under the relevant Mortgage Conditions, (y) it is a Porting request, or (z) or otherwise required under the terms of the Servicing Agreement or the Seller is required under applicable law and related guidance to accommodate such request.

Product Switch means a variation to the financial terms and conditions of any Loan but excluding:

- (a) variation agreed with a Borrower to control or manage arrears on a Loan;
- (b) variation imposed by statute;
- (c) a change from interest-only to Repayment Loans;
- (d) a transfer of equity; and/or
- (e) a release of a party to a Loan provided that at least one party to that Loan remains unreleased.

Flexible Drawing means in relation to a Flexible Loan, any further drawing of moneys made by a Borrower under that Flexible Loan which the Borrower is contractually permitted to demand but only to the extent of any previous Overpayment made in respect of such Flexible Loan.

The equitable or, in respect of the Scottish Loans, the beneficial interest in any Flexible Drawings will be sold by the Seller to the Issuer and will form part of the Portfolio. The Cash Manager (on behalf of the Issuer) shall pay to the Legal Title Holder or the Servicer (as applicable) any such amounts to be advanced to Borrowers as Flexible Drawings at any time by applying Principal Receipts standing to the credit of the Transaction Account (to the extent available) up to an amount equal to the amount of the Flexible Drawing on the relevant date the Flexible Drawing was granted or on any Business Day as soon as practicable thereafter, in each case in accordance with the applicable provisions of the Cash Management Agreement. In the event that the Issuer does not have sufficient funds available to fund

any such amounts to be advanced to Borrowers as Flexible Drawings and the Class Z VFN Holder fails to advance an amount equal to such shortfall, then the Seller shall be obliged to repurchase the relevant Loan and its Related Security together with any other Loan secured or intended to be secured by such Related Security or any part of it, in accordance with the Mortgage Sale Agreement, for a consideration equal to its Current Balance.

**Perfection Trigger Events
in respect of the Loans:**

With respect to the Loans, prior to the completion of the transfer of legal title of the Loans and their Related Security to the new legal title holder occurring on a Perfection Trigger Event, legal title of the Loans and their Related Security will remain with the Legal Title Holder and the Issuer will hold only the equitable title or, in relation to any Scottish Loans and their Related Security, the beneficial interest in those Loans and their Related Security pursuant to the Scottish Declaration of Trust and will therefore be subject to certain risks as set out in the risk factor entitled "*The Legal Title Holder to retain legal title to the Loans and risks relating to set-off*" in the section entitled "*Risk Factors*".

Following the occurrence of a Perfection Trigger Event, a new legal title holder will be appointed to hold the legal title to the Loans (and the related Unsecured Personal Loans) and their Related Security in the Portfolio in accordance with the Loan Management Deed.

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

**Servicing of the Portfolio –
Servicer and Master
Servicer:**

The Servicer agrees to service the Loans and their Related Security on behalf of the Issuer. The appointment of the Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee) (prior to the delivery of a Note Acceleration Notice) or the Security Trustee (after delivery of a Note Acceleration Notice) upon the occurrence of a Servicer Termination Event (subject to the terms of the Servicing Agreement and the Loan Management Deed) (see "*Master Servicer Termination Event*" in "*Transaction Overview - Triggers Tables – Non-Rating Triggers Table*") or see further "*Summary of the Key Transaction Documents – Servicing Agreement*" and "*Summary of the Key Transaction Documents – Loan Management Deed*").

The Servicer may resign by giving not less than 12 months' notice to the Issuer and the Security Trustee and subject to, *inter alia*, a replacement servicer having been appointed. See "*Summary of the Key Transaction Documents – Servicing Agreement*" below.

The Master Servicer has agreed to act as master servicer with respect to the Loans and their Related Security on behalf of the Issuer. In that role, the Master Servicer will, *inter alia*, set the variable rates of interest that apply to the Loans, consult with the Servicer regarding changes to the Service Specification, review Borrower complaints and review the Servicer Reports for manifest error.

The Master Servicer may resign by giving no less than 6 months'

notice to the Issuer and the Security Trustee and subject to, *inter alia*, a replacement master servicer having been appointed. See "Summary of the Key Transaction Documents – Master Servicer and Legal Title Holder Deed".

The appointment of the Master Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee) (prior to the delivery of a Note Acceleration Notice) or the Security Trustee (after delivery of a Note Acceleration Notice) upon the occurrence of a Master Servicer Termination Event (subject to the terms of the Master Servicer and Legal Title Holder Deed) (See "Summary of the Key Transaction Documents – Master Servicer and Legal Title Holder Deed").

As at the date of this Prospectus, Landmark holds legal title to, and acts as master servicer of, the Loans, the related Unsecured Personal Loans and certain other mortgage loans beneficial title to which is held by the Seller or third parties (such other mortgage loans, the **Other Landmark Loans**). The same servicer and master servicer must at all times service mortgage loans in respect of which Landmark holds legal title. CMS currently services the Loans pursuant to the Servicing Agreement, the Unsecured Personal Loans and the other Landmark brand loans beneficial title to which is held by BAWAG P.S.K. under the BAWAG Servicing Agreement and the Other Landmark Loans beneficial title to which is held by third parties under the Landmark Long Term Servicing Agreement. The same servicer and master servicer must at all times service the Loans and the related Unsecured Personal Loans.

If CMS ceases to act as servicer under the BAWAG Servicing Agreement, it will constitute a Servicer Termination Event under the Servicing Agreement and (prior to an Insolvency Event with respect to BAWAG P.S.K.) BAWAG P.S.K. will nominate the Back-Up Servicer or an alternative servicer to replace CMS as servicer of the Loans and the related Unsecured Personal Loans in accordance with the terms of the Servicing Agreement and Loan Management Deed. If CMS ceases to act as servicer under the Landmark Long Term Servicing Agreement, BAWAG P.S.K. will determine the best strategy going forward for the Loans and the related Unsecured Personal Loans, which may, depending on the circumstances, involve retaining legal title and master servicing with Landmark and appointing the Back-Up Servicer or another replacement servicer as servicer of the Loans and the related Unsecured Personal Loans, or may involve keeping CMS as Servicer and moving legal title and master servicing of the Loans and related Unsecured Personal Loans to a new entity.

Servicing of the Portfolio – Servicing Consultant: The Servicing Consultant has agreed to act as a servicing consultant pursuant to the Servicing Agreement, including, *inter alia*:

- (a) to act as a servicing consultant in relation to the Loans and their Related Security and, where applicable, consulting with the Servicer and Master Servicer on behalf of the Issuer; and
- (b) to perform certain oversight, management and administration

services set out in the Servicing Agreement.

The appointment of the Servicing Consultant may be terminated by the Issuer and/or the Security Trustee upon the occurrence of an Insolvency Event with respect to the Servicing Consultant.

Back-Up Servicing:

The Back-Up Servicer has agreed to provide certain back-up services to the Issuer and to service the Portfolio in the event of the replacement of the Servicer. See further "*Summary of the Key Transaction Documents – Back-Up Servicing Arrangements*" below.

**Back-Up Servicer
Facilitator:**

Prior to an Insolvency Event with respect to BAWAG P.S.K., BAWAG P.S.K. will determine the best strategy for the Loans and nominate the replacement servicer, master servicer and/or legal title holder, as the case may be, to be appointed with respect to the Loans and the related Unsecured Personal Loans following a Servicer Termination Event, Master Servicer Termination Event and/or Perfection Trigger Event as the case may be. Following an Insolvency Event with respect to BAWAG P.S.K., the Back-Up Servicer Facilitator will use its reasonable endeavours to identify (on behalf of the Issuer) a suitable replacement servicer, master servicer and/or legal title holder (as the case may be) to be appointed in accordance with the Loan Management Deed.

Clean-up Call:

The Issuer may redeem the Notes on any Interest Payment Date prior to the Final Maturity Date on which the aggregate Principal Amount Outstanding of the Class A Notes and the Class Z VFN (as of the immediately preceding Calculation Date) is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Class A Notes and the Class Z VFN on the Closing Date (as fully set out in Condition 7.3 (*Optional Redemption of the Class A Notes in Full*)).

**Optional Redemption of
the Notes for Tax and
other Reasons:**

The Retention Holder may, pursuant to the terms of the Mortgage Sale Agreement, purchase the Issuer's interest in the Loans in respect of any optional redemption of the Notes pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*). The consideration payable by the Retention Holder shall be an amount equal to the Option Purchase Price.

TRANSACTION OVERVIEW - OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

Please refer to section entitled "Terms and Conditions of the Notes" for further detail in respect of the terms of the Notes.

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class Z VFN
Currency	GBP	GBP
Principal Amount:	£670,000,000	£250,000,000 (of which £116,219,000 shall be subscribed for as at the Closing Date)
Credit enhancement and liquidity support features:	Subordination of the Class Z VFN. The availability of the General Reserve Fund, as funded by the Class Z VFN on the Closing Date. Excess Available Revenue Receipts. The application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency (as defined herein) in the Available Revenue Receipts.	Excess Available Revenue Receipts.
Issue Price:	100%	100%
Interest Rate:	3 month GBP LIBOR plus the Relevant Margin	3 month GBP LIBOR plus the Relevant Margin
Relevant Margin:	Prior to the Step-Up Date 0.70% per annum and on and after the Step-Up Date 1.40% per annum	0.0% per annum
Step-Up Date:	Interest Payment Date falling in December 2021	N/A
Interest Accrual Method:	Actual/365	Actual/365
Interest Payment Dates:	15th day of March, June, September and December, in each year	15th day of March, June, September and December, in each year
Business Day Convention:	Modified Following	Modified Following
First Interest Payment Date:	15 March 2017	15 March 2017
Final Maturity Date:	September 2045	September 2045
Form of the Notes:	Registered	Registered

	Class A Notes	Class Z VFN
Application for Exchange Listing:	Irish Stock Exchange's Main Securities Market	Not listed
Clearance/ Settlement:	Euroclear /Clearstream, Luxembourg	N/A
ISIN:	XS1514988689	N/A
Common Code:	151498868	N/A
Ratings* (Fitch / Moody's):	AAAsf/Aaa (sf)	Not rated
Minimum Denomination	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £100 in excess thereof

* As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (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) (this website and the contents thereof do not form part of this Prospectus). 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 European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Ranking and Form of the Notes

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

- Class A Mortgage Backed Floating Rate Notes due September 2045 (the **Class A Notes**); and
- Class Z VFN due September 2045 (the **Class Z VFN**),

and together, the Class A Notes and the Class Z VFN, are the **Notes** and the holders thereof from time to time, **the Noteholders**.

The Class A Notes will rank *pari passu* and *pro rata* as to payments of interest and principal ahead of the Class Z VFN at all times.

The Class A Notes will rank *pari passu* and rateably without any preference or priority among themselves as to payments of principal and interest.

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. Amounts due in respect of the Class A Notes will rank in priority to amounts due in respect of the Class Z VFN. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to

amounts due in respect of the Notes.

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

Variable Funding Notes:

The Issuer will issue the Class Z VFN on the Closing Date.

So long as the Class A Notes are outstanding, the Principal Amount Outstanding of the Class Z VFN shall not fall below 5 per cent. of the initial aggregate Current Balance of the Loans as at the Closing Date.

Prior to the Class Z VFN Commitment Termination Date, the Class Z VFN will have a maximum principal amount of £250,000,000 or such other amount as may be agreed from time to time by the Issuer and the holder of the Class Z VFN (the **Class Z VFN Holder**) and notified to the Note Trustee (the **Maximum Class Z VFN Amount**), that can be funded by the Class Z VFN Holder at the request of the Issuer.

The commitment of the Class Z VFN Holder in respect of holding the Class Z VFN will be extinguished on the earlier to occur of:

- (a) the Interest Payment Date falling in September 2045; and
- (b) an Event of Default,

(the **Class Z VFN Commitment Termination Date**).

The maximum principal amount outstanding under the Class Z VFN shall not exceed the Maximum Class Z VFN Amount.

If the Maximum Class Z VFN Amount in relation to the Class Z VFN has been drawn and, in accordance with the Conditions, the Issuer repays some of the principal due on such Class Z VFN, such repaid principal amount will be available to be redrawn by the Issuer up to the Maximum Class Z VFN Amount.

Security

Pursuant to a deed of charge to be entered into between, *inter alios*, the Issuer and the Security Trustee (the **Deed of Charge**) on the Closing Date, 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 (other than the Trust Deed, the Deed of Charge itself and the Scottish Declaration of Trust);

- (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 and 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 assignment in security of the Issuer's beneficial interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Legal Title Holder over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust);
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts and any other account (including any securities accounts) in which it has an interest and any sums or securities 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;
- (g) an assignment by way of first fixed security (and, to the extent not assigned, a charge by way of first fixed charge) (but subject to the right of reassignment) of the benefit of the Issuer's rights, title, interest and benefit under the Collection Account Declaration of Trust;
- (h) 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); and
- (i) (only upon legal title to the Scottish Loans and their Related Security transferring to the Issuer) a standard security over the Issuer's whole right, title and interest as heritable creditor under the Scottish Loans and their Related Security.

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

Collateral	Mortgage loans that were originated by the Seller from time to time as at the Cut-Off Date in respect of certain Loans comprised in the Provisional Portfolio as at the Cut-Off Date on the Seller's Standard Documentation from time to time.
Interest Provisions	Please refer to the " <i>Full Capital Structure of the Notes</i> " table above and as fully set out in Condition 5 (<i>Interest</i>).
Interest Deferral	Interest due and payable on the Class A Notes outstanding will not be deferred. Interest due and payable on the Class Z VFN may be deferred in accordance with Condition 16 (<i>Subordination by Deferral</i>).
Withholding taxes	None of the Issuer nor any Paying Agent or any other person will be obliged to gross-up any payments in respect of the Notes if there is any withholding or deduction required by law on account of any present or future taxes, duties, assessments or governmental charges of whatever nature.
Redemption	<p>The Notes are subject to the following optional or mandatory redemption events:</p> <ul style="list-style-type: none"> (a) mandatory redemption in whole on the Interest Payment Date falling in September 2045 (the Final Maturity Date), as fully set out in Condition 7.1 (<i>Redemption at Maturity</i>); (b) mandatory redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the service of a Note Acceleration Notice subject to availability of Available Principal Receipts which shall be applied (a) if there is no outstanding balance on the Class A Principal Deficiency Ledger, to repay the Class A Notes <i>pro rata</i> and <i>pari passu</i> until they are repaid in full and then (b) to repay the Class Z VFN until it is repaid in full, as fully set out in Condition 7.2 (<i>Mandatory Redemption</i>); (c) optional redemption of the Class A Notes exercisable by the Issuer in whole on the Optional Redemption Date, as fully set out in Condition 7.3 (<i>Optional Redemption of the Class A Notes in Full</i>); and (d) optional redemption of the Class A Notes exercisable by the Issuer in whole for tax reasons on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 7.4 (<i>Optional Redemption of the Class A Notes for Taxation or Other Reasons</i>).

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

Expected Average Lives of the Class A Notes	The actual average lives of the Class A Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Loans and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions as described under " <i>Weighted Average Lives of the Notes</i> " below.
Event of Default	As fully set out in Condition 10 (<i>Events of Default</i>), which broadly includes (where relevant, subject to the applicable grace period): <ul style="list-style-type: none"> • non-payment of interest and/or principal in respect of the Class A Notes; • breach of contractual obligations by the Issuer under the Transaction Documents; and • certain insolvency events.
Limited Recourse	The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 11.4 (<i>Limited Recourse</i>).
Eurosystem Eligibility	The Class A Notes are intended upon issue to be held in a manner which will allow Eurosystem eligibility. This means that the Class A Notes are intended to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day operations by the Eurosystem either upon issue or at any of all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility has been met.
Governing Law	English law (other than any terms of the Transaction Documents which are particular to Scots law which may be governed and/or construed in accordance with Scots law).

RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

Prior to an Event of Default:

Prior to the occurrence of an Event of Default, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes then outstanding are entitled to request that the Issuer request that the Note Trustee (subject to it being indemnified and/or secured and/or prefunded 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, although the quorum for any such meeting will be higher (as set out in "*Noteholders Meeting 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 Class A Notes then outstanding 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.

So long as no Class A Notes remain outstanding, upon the occurrence of an Event of Default, the Note Trustee shall, if so directed in writing by the holders of all the Class Z VFN (subject 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.

Noteholders Meeting provisions:

Notice period:	21 clear days for an initial meeting	10 clear days for an adjourned meeting
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Quorum:	For an initial meeting, 25 per cent. of the Principal Amount Outstanding of the relevant Class of Notes then outstanding for all Ordinary Resolutions; 50 per cent. of the Principal Amount Outstanding of the relevant Class 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 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 of Notes then outstanding)
Required majority:	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. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding or a resolution in writing signed by the Class Z VFN Holder. A Written Resolution has the same effect as an Extraordinary Resolution.	
Electronic Consents:	Noteholders may also pass an Extraordinary Resolution by way of electronic consents communicated through the electronic communications systems of the clearing system(s) to the Principal Paying Agent or another specified agent and/or the Note Trustee in accordance with the operating rules and procedures of the relevant clearing system(s) (Electronic Consents). Such consents are required from Noteholders of not less than 75 per cent. in aggregate Principal	

Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Extraordinary Resolutions. A resolution passed by such means has the same effect as an Extraordinary Resolution.

Extraordinary Resolution means:

- (a) a resolution passed at a meeting 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 Class A 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 Class A Notes then outstanding.

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 clear majority; or
- (b) (i) a resolution in writing signed by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the Class A 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, (ii) a resolution in writing signed by the Class Z VFN Holder or (iii) an Electronic Consent.

**Matters requiring
Extraordinary Resolution:**

Broadly speaking, the following matters require an Extraordinary Resolution:

- to approve any Basic Terms Modification;
- to approve the substitution of any person for the Issuer as principal obligor under the Notes;
- 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;
- 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;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to authorise the Note Trustee, the Security Trustee or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to discharge or exonerate the Note Trustee or the Security Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- 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
- 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*) for more detail.

**Rights of modification
without Noteholder
consent:**

Pursuant to and in accordance with the detailed provisions of Condition 12.5 (*Additional Right of Modification*), the Note Trustee and/or the Security Trustee (as the case may be) shall be obliged, without any consent of the Noteholders to concur with the Issuer in making any modification (other than a Basic Terms Modification) to the Conditions and/or any Transaction Document or enter into any new, supplemental or additional documents for the purposes of:

- (a) complying with, or implementing or reflecting, any change in criteria of the Rating Agencies;

- (b) complying with the requirements of Rule 17g-5 of the Exchange Act;
- (c) complying with any changes in the requirements of Article 405 of the CRR, Article 17 of Directive 2011/61/EU (as amended), Article 51 of AIFMR or Article 254 of Solvency II Regulation or any other risk retention legislation, regulations or official guidance;
- (d) enabling the Class A Notes to be (or to remain) listed on the Irish Stock Exchange;
- (e) enabling the Issuer or any other Transaction Party to comply with FATCA;
- (f) complying with any requirement to appoint an entity to carry out any disclosure or reporting requirements under the CRA Regulation;
- (g) complying with any changes in the requirements of the CRA Regulation; or
- (h) effecting the appointment of a Back-Up Servicer or Successor Servicer subject to certain conditions.

The Issuer must provide at least 30 days' notice to 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. If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have notified the Issuer in writing that such Noteholders do not consent to the modification then such modification will not be made unless passed by an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

**Relationship between
Classes of Noteholders:**

Subject to the provisions governing a Basic Terms Modification, an Extraordinary Resolution of Class A Noteholders shall be binding on the Class Z VFN Holder and would override any resolutions to the contrary by them.

A Basic Terms Modification requires an Extraordinary Resolution of the relevant affected Class(es) of Notes.

Seller as Noteholder:

For the purpose of, *inter alia*, the right to attend and vote at any meeting of Noteholders, any Extraordinary Resolution in writing and any direction made by Noteholders, those Notes (if any) which are held by or on behalf of or for the benefit of the Seller, any holding company of the Seller or any subsidiary of such holding company in each case as beneficial owner, shall (unless and until ceasing to be held) be deemed not to remain outstanding, provided that if all the Notes of a particular class are held by the Seller, any holding

company of the Seller and/or any other subsidiary of such holding company (the **Relevant Class of Notes**) (and no other Classes of Notes exist that rank junior or *pari passu* to the Relevant Class of Notes, in respect of which the Notes are held by persons other than the Seller, any holding company of the Seller or any other subsidiary of such holding company), Notes of the Relevant Class of Notes will be deemed to remain outstanding.

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 have regard to the interests of the other Secured Creditors only to pay such parties any monies received by the Issuer and payable to such parties and to act in accordance with the applicable Priority of Payments.

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

Provision of Information to the Noteholders:

The Cash Manager on behalf of the Issuer will publish the Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the US Bank website at www.usbank.com/abs. The website and the contents thereof do not form part of this Prospectus.

Communication with Noteholders:

Other than the monthly Investor Reports referenced above, any notice to be given by the Issuer or the Note Trustee to Noteholders shall be given in one of the following ways:

- so long as the Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders; or

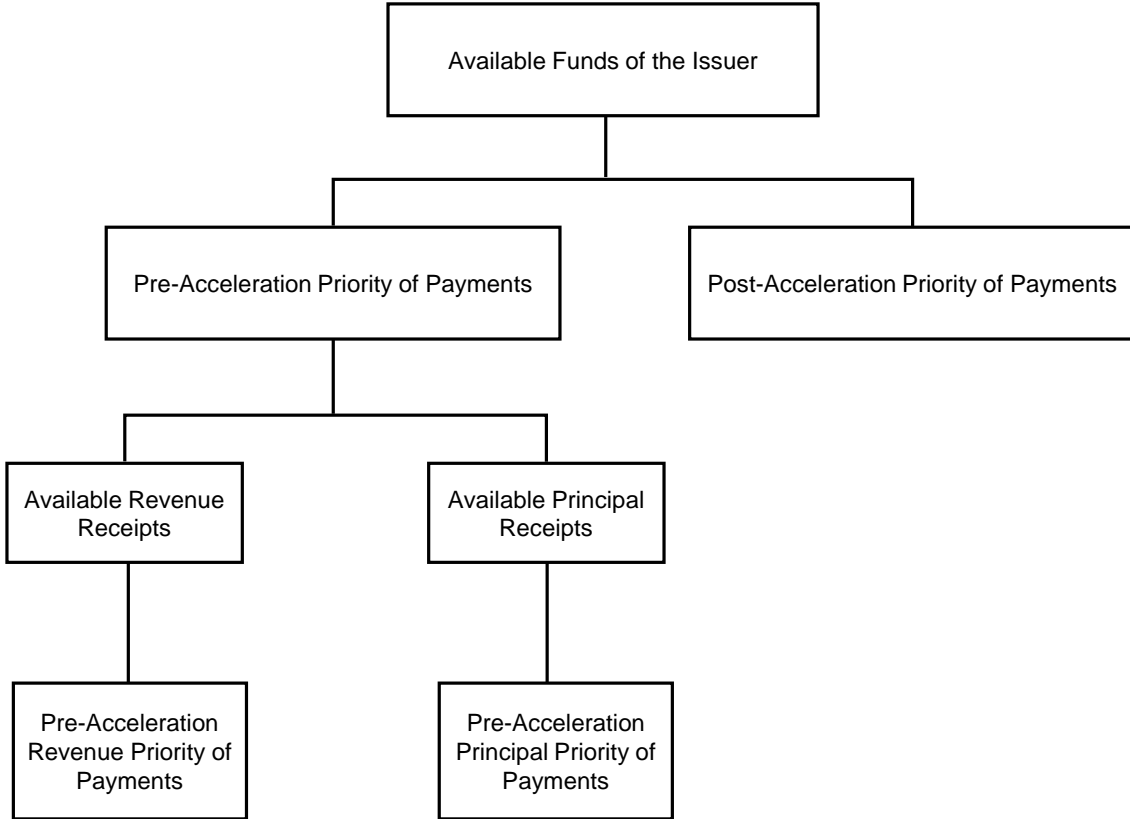
so long as the Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange. The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

Notices to the Class Z VFN Holder 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*) for more detail.

TRANSACTION OVERVIEW - CREDIT STRUCTURE AND CASHFLOW

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



Available Funds of the Issuer:

The 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 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 received (i) by or on behalf of the Issuer during the immediately preceding Collection Period or (ii) if representing amounts received in respect of any indemnity payments made by the Seller pursuant to the Mortgage Sale Agreement from (but excluding) the Monthly Pool Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to (and including) the immediately preceding Monthly Pool Date;
- (b) interest payable to the Issuer on the Bank Accounts and income from any Authorised Investments in each case received during the

immediately preceding Collection Period;

- (c) the Amortisation General Reserve Release Amount (if any) in respect of such Interest Payment Date;
- (d) on the Interest Payment Date on which the Class A Notes are fully repaid or otherwise redeemed in full, any amounts standing to the credit of the General Reserve Fund;
- (e) other net income of the Issuer received during the immediately preceding Collection Period (excluding any Principal Receipts);
- (f) amounts deemed to be Available Revenue Receipts in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments;
- (g) amounts credited to the Transaction Account on the immediately preceding Interest Payment Date in accordance with paragraph (l) of the Pre-Acceleration Revenue Priority of Payments;
- (h) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);

less:

- (i) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - (i) certain costs and expenses charged by the Servicer in respect of its servicing of the Loans, costs or expenses incurred in relation to any audit in respect of title and security, other than any amounts payable by way of Servicing Fees in accordance with item (f) of the Pre-Acceleration Revenue Priority of Payments and not otherwise covered by the items below;
 - (ii) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - (iii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account or is required to refund an amount previously debited and such other amounts that have been paid in error or otherwise recalled or is required by the Collection Account Bank to be credited to a reserve which will set aside an amount for such payments in the collection account of the Original Seller or Legal Title Holder, as applicable;
 - (iv) payments by the Borrower of any fees (including Early Repayment Fees) and other charges which are due to the

Seller; and

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

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

less

- (j) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the Collection Account of the Legal Title Holder in respect of the Loans or to repay any amounts due to the Collection Account Bank in respect of the Loans;

plus

- (k) if a shortfall occurs such that the aggregate of items (a) to (h) less (i) and (j) above is insufficient to pay or provide for items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments, the General Reserve Required Debit Amount in respect of such Interest Payment Date (if any); and

plus

- (l) if a Revenue Deficiency occurs such that the aggregate of items (a) to (h) less (i) and (j) plus (k) above is insufficient to pay or provide for items (a) to (g) of the Pre-Acceleration Revenue Priority of Payments, Available Principal Receipts in an aggregate amount sufficient to cover such Revenue Deficiency;

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

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date: (i) received by the Issuer during the immediately preceding Collection Period minus (A) an amount equal to the aggregate of any amounts advanced to fund a Further Advance (a **Further Advance Amount**) or Flexible Drawing (a **Flexible Drawing Amount**) paid by the Issuer in such Collection Period (but excluding from this deduction any Further Advance Amount or Flexible Drawing Amount to be paid by the Issuer on that Interest Payment Date (where such Interest Payment Date is also a Monthly Pool Date) and (B) an amount equal to the aggregate of all Further Advance Amounts or Flexible Drawing Amounts to be paid by the Issuer on

that Interest Payment Date (where such Interest Payment Date is also a Monthly Pool Date) but in an aggregate amount not exceeding all such Principal Receipts); (ii) if representing amounts received in respect of any indemnity payments made by the Seller pursuant to the Mortgage Sale Agreement received by the Issuer from (but excluding) the Monthly Pool Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from (and including) the Closing Date) to (and including) the immediately preceding Monthly Pool Date; and (iii) 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;

- (b) (in respect of the first Interest Payment Date only) the amount paid into the Transaction Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Class Z VFN used to establish the General Reserve Fund and to pay the initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date) over the Initial Consideration;
- (c) the amounts (if any) calculated on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Ledger and/or the Class Z VFN Principal Deficiency Ledger is reduced;
- (d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);

less

- (e) any amounts utilised to pay a Revenue Deficiency pursuant to paragraph (l) of the definition of Available Revenue Receipts.

Pre-Acceleration Priority of Payments means the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments.

Summary of Priority of Payments

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

Pre-Acceleration Revenue Priority of Payments:	Pre-Acceleration Principal Priority of Payments:	Post-Acceleration Priority of Payments:
(a) Amounts due in respect of the Note Trustee and Security Trustee fees, costs and	(a) Principal amounts due on the Class A Notes (b) Principal	(a) Amounts due in respect of the Receiver, the Note Trustee and the Security

	expenses	amounts due on the Class Z VFN	Trustee fees, costs and expenses
(b)	Amounts due in respect of the fees, costs and expenses of the Agent Bank, the Registrar, the Paying Agents, the Corporate Services Provider, the Class Z VFN Registrar, the Account Bank, the Cash Manager, Back-Up Servicer Facilitator and the Back-Up Servicer	(c) Amounts to be applied as Available Revenue Receipts	(b) Amounts due in respect of the fees, costs and expenses of the Agent Bank, the Registrar, the Paying Agents, the Corporate Services Provider, the Class Z VFN Registrar, the Account Bank, the Cash Manager, the Back-Up Servicer Facilitator, the Legal Title Holder, Master Servicer and Servicer and the Back-Up Servicer
(c)	Third party expenses		(c) Interest and principal due on the Class A Notes
(d)	Amounts due in respect of the fees and costs due to the Legal Title Holder and the Master Servicer		(d) Amounts due in respect of principal and interest on the Class Z VFN
(e)	Issuer Profit Amount		(e) Third party expenses
(f)	Amounts due in respect of the fees and costs due to the Servicer		(f) Issuer Profit Amount
(g)	Interest due on the Class A Notes		(g) Deferred Consideration
(h)	Amounts to be credited to the Class A Principal Deficiency Ledger		

- (i) Amounts to be credited to the General Reserve Ledger
- (j) Amounts to be credited to the Class Z VFN Principal Deficiency Ledger
- (k) Interest due on the Class Z VFN
- (l) If such Interest Payment Date falls within a Determination Period, then the excess (if any) to the Transaction Account
- (m) Principal amounts due on the Class Z VFN (so long as no Class A Notes remain outstanding)
- (n) Deferred Consideration

General Credit Structure

The general credit structure of the transaction includes, broadly speaking, the following elements:

- availability of the **General Reserve Fund**, funded on the Closing Date by the Class Z VFN up to the General Reserve Required Amount from a portion of the proceeds of the Class Z VFN Holder's subscription of the Class Z VFN. Each of the Amortisation General Reserve Release Amount and the General Reserve Required Debit Amount in relation to an Interest Payment Date (if any) will be withdrawn from the General Reserve Fund and applied as Available Revenue Receipts on such Interest Payment Date. After the Closing Date, the General Reserve Fund will be replenished up to the General Reserve Required Amount on each Interest Payment Date from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of

Payments (see section "*Credit Structure – (2) General Reserve Fund and General Reserve Ledger*" for further details);

- a Principal Deficiency Ledger will be established for each Class of Notes to record the notional principal losses corresponding to each Class of Notes in reverse sequential order. Available Revenue Receipts will be applied in accordance with the relevant Priority of Payments to make up the relevant Principal Deficiency Ledger in sequential order (see section "*Credit Structure – (4) Principal Deficiency Ledgers*" for further details);
- availability of interest provided by the Account Bank in respect of monies held in the Transaction Account; and
- the application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency in the Available Revenue Receipts (see section "*Credit Structure – (3) Use of Principal Receipts to pay Revenue Deficiency*" for further details).

Bank Accounts

The Issuer will enter into the Bank Account Agreement with the Account Bank on the Closing Date in respect of the Transaction Account and any additional accounts to be established by the Issuer pursuant to the Bank Account Agreement (together, the **Bank Accounts**).

Collections of revenue and principal in respect of the Loans in the Portfolio are received by the Legal Title Holder in its collection account(s). The Legal Title Holder (and, where relevant, the Servicer) is obliged to transfer collections in respect of the Loans in the Portfolio to the Transaction Account from the collection account(s) on a daily basis. On each Interest Payment Date, the Cash Manager will withdraw monies from the Transaction Account to be applied in accordance with the relevant Priority of Payments. Monies may also be withdrawn from the Transaction Account on any Monthly Pool Date to pay any Further Advance Amount or the Flexible Drawing Amount.

On each Interest Payment Date and prior to the transfer of monies from the Issuer to the Principal Paying Agent in relation to, *inter alia*, the payment of principal and interest in respect of the Notes pursuant to the Agency Agreement, the Cash Manager will debit each of the Amortisation General Reserve Release Amount and the General Reserve Required Debit Amount in respect of such Interest Payment Date (if any) from the General Reserve Ledger to be applied in accordance with the relevant Priority of Payments.

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 Transaction Account. In addition, the Cash Manager will:

- (a) provide the Issuer, the Security Trustee, the Seller, the Class A Noteholders and the Rating Agencies with a monthly investor report (the **Investor Report**) setting out certain aggregated loan data in relation to the Portfolio within 10 Business Days of each Monthly Pool Date, with such Investor Report being published on

the following website: www.usbank.com/abs on or around the end of each calendar month and as such will be available to the Class A Noteholders. The website and the contents thereof do not form part of this Prospectus;

- (b) calculate the Available Revenue Receipts and Available Principal Receipts of the Issuer;
- (c) apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration 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-Acceleration Priority of Payments;
- (e) record credits to, and debits from, the General Reserve Ledger, the Revenue Ledger, the Issuer Profit Ledger, the Principal Deficiency Ledger and the Principal Ledger as and when required;
- (f) make payments of the consideration for a Further Advance or Flexible Drawing to the Legal Title Holder or the Servicer;
- (g) make a drawing under the Class Z VFN as required, including, any drawing required to fund a Further Advance Amount or a Flexible Drawing Amount;
- (h) make any determinations and calculations in respect of the Reconciliation Amount, if necessary; and
- (i) where applicable, at the direction of the Servicing Consultant or the Issuer, invest amounts standing to the credit of the Transaction Account in Authorised Investments.

TRANSACTION OVERVIEW - TRIGGERS TABLES

Rating Triggers Table

Transaction Party:	Required Ratings/Triggers:	Possible effects of Trigger being breached include the following:
Account Bank:	<p>(a) A short term issuer default rating of at least F1 by Fitch or a long term issuer default rating of at least A by Fitch;</p> <p>(b) in the case of Moody's, a long term unsecured, unguaranteed and unsubordinated debt obligation rating of at least A3;</p> <p>(c) or (in each case) such other credit rating as is consistent with the then current rating methodology of the Rating Agencies in respect of the then current rating of the Class A Notes,</p> <p>(the Account Bank Rating).</p>	<p>If the Account Bank fails to maintain any of the Account Bank Ratings, then the Issuer and the Account Bank shall use their best endeavours to, within 30 calendar days following the first day on which such downgrade occurred, either:</p> <p>(a) acting on the instructions of the Issuer, close the relevant Bank Accounts held with the Account Bank (including, for the avoidance of doubt, the Transaction Account), use all reasonable endeavours to open replacement accounts with a financial institution (i) having the Account Bank Ratings, (ii) which is a bank as defined in section 991 of the Income Tax Act 2007, and (iii) maintains such replacement accounts and pays interest with respect thereto in the ordinary course of business for the purposes of section 878 of the Income Tax Act 2007; or</p> <p>(b) use all reasonable endeavours to obtain a guarantee of the obligations of such Account Bank under the relevant Bank Account Agreement from a financial institution which has the Account Bank Ratings; or</p> <p>(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 Account Bank ceasing to have all of the Account Bank Ratings.</p>

Non-Rating Triggers Table

Perfection Trigger Events:

Prior to the completion of the transfer of legal title of the Loans to a new legal title holder, the Issuer will be subject to certain risks as set out in the risk factor entitled "*The Legal Title Holder to retain legal title to the Loans and risks relating to set-off*" and "*Set-off may adversely affect the value of the Portfolio or any part thereof*" in the section entitled "*Risk Factors*". Completion of transfer of the legal title of the Loans by the Legal Title Holder to a new legal title holder will be completed following a Perfection Trigger Event. Completion of the transfer of legal title to a new legal title holder will be completed as soon as reasonably practicable if the Issuer serves a Perfection Notice after the occurrence of the following:

- (a) a Note Acceleration Notice has been delivered by the Note Trustee following the occurrence of an Event of Default which is continuing;
- (b) the Legal Title Holder is required to perfect the Issuer's legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Legal Title Holder or by any organisation of which the Legal Title Holder is a member;
- (c) it becomes necessary by law or regulation to do any or all of the acts referred to in paragraph (b) above;
- (d) the security created under or pursuant to the Deed of Charge or any material part of that security is, in the opinion of the Security Trustee, in danger of being seized or sold under any form of distress, diligence, attachment, execution or other legal process or otherwise in jeopardy;
- (e) any of the following events occur:
 - (i) the Issuer serves a notice to terminate the Servicing Agreement in accordance with the Servicing Agreement and Landmark notifies the Issuer in writing that it does not intend to terminate the Landmark Long Term Servicing Agreement;
 - (ii) Landmark serves a notice to terminate the Landmark Long Term Servicing Agreement without cause of the servicer in accordance with the Landmark Long Term Servicing Agreement and the Issuer notifies Landmark in writing that it does not intend to terminate the Servicing Agreement;
 - (iii) Landmark serves a notice to terminate the Landmark Long Term Servicing Agreement for cause of the servicer in accordance with the Landmark Long Term Servicing Agreement and the

Issuer notifies Landmark in writing that it does not intend to terminate the Servicing Agreement;

- (iv) the Servicer serves a notice to terminate the Servicing Agreement without cause of the Issuer in accordance with the Servicing Agreement and Landmark notifies the Issuer in writing that it does not intend to terminate the Landmark Long Term Servicing Agreement;
 - (v) the Servicer serves a notice to terminate the Servicing Agreement for cause of the Issuer in accordance with the Servicing Agreement and Landmark notifies the Issuer in writing that it does not intend to terminate the Landmark Long Term Servicing Agreement;
 - (vi) Landmark's Servicer serves a notice to terminate the Landmark Long Term Servicing Agreement without cause of Landmark in accordance with the Landmark Long Term Servicing Agreement and the Issuer notifies Landmark in writing that it does not intend to terminate the Servicing Agreement;
 - (vii) Landmark's Servicer serves a notice to terminate the Landmark Long Term Servicing Agreement for cause of Landmark in accordance with the Landmark Long Term Servicing Agreement and the Issuer notifies Landmark in writing that it does not intend to terminate the Servicing Agreement; or
 - (viii) the Issuer serves or receives a termination notice with respect to CMS under the Servicing Agreement and Landmark does not agree to enter into a replacement servicing agreement with the Back-Up Servicer; or
- (f) the occurrence of an Additional Perfection Trigger Event or an Additional Master Servicer Termination Event; or
 - (g) there is an Insolvency Event in relation to the Legal Title Holder or any other entity in which legal title to any Mortgage Loan is vested.

Landmark may resign as legal title holder upon giving not less than 3 months' written notice provided that, inter alia, a replacement legal title holder has been appointed by the Issuer (subject to the prior written consent of the Security Trustee).

Master Servicer Termination Event:

A Master Servicer Termination Event shall occur if any of the following events occur:

- (a) default is made by the Master Servicer in the performance or observance of any of its obligations under the Master

Servicer and Legal Title Holder Deed or the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after receipt by the Master Servicer of written notice from the Issuer or (following service of a Note Acceleration Notice) the Security Trustee, as appropriate, requiring the same to be remedied;

- (b) the occurrence of an Insolvency Event in respect of the Master Servicer;
- (c) the Master Servicer ceasing to be an authorised person under FSMA or failure by the Master Servicer to obtain or maintain the necessary licences, registrations or regulatory approvals enabling it to continue to service the Loans;
- (d) a Perfection Notice is served on the Legal Title Holder; or
- (e) the expiry of not less than 6 months' written notice of termination given by the Issuer or (following service of a Note Acceleration Notice) the Security Trustee, as appropriate, to the Master Servicer (or such shorter time as may be agreed in writing between the Master Servicer, the Issuer or (following service of a Note Acceleration Notice) the Security Trustee, as appropriate); or
- (f) the occurrence of an Additional Master Servicer Termination Event or Additional Perfection Trigger Event as set out in the Loan Management Deed.

The Master Servicer may resign upon giving not less than 6 months' written notice provided that, inter alia, a replacement servicer has been appointed by the Issuer (subject to the prior written consent of the Security Trustee).

**Servicer
Events:**

Termination

A Servicer Termination Event shall occur if any of the following events occur:

- (a) default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or (following service of a Note Acceleration Notice) the Security Trustee requiring the default to be remedied;
- (b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or any other Transaction Document to which it is a party and in the opinion of the Security Trustee (acting on the instructions of the Note Trustee), such default is materially prejudicial to the interests of the Noteholders (where determinations shall be conclusive and binding on all Secured Creditors) and such

default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or (following delivery of a Note Acceleration Notice) the Security Trustee, requiring the same to be remedied; or

- (c) the Servicer ceasing to be an authorised person under FSMA or failure by the Servicer to obtain or maintain the necessary licences, registrations or regulatory approvals enabling it to continue servicing the Loans; or
- (d) an Insolvency Event in respect of the Servicer; or
- (e) either (i) the appointment of CMS has been terminated under the BAWAG Servicing Agreement, (ii) the appointment of CMS has been terminated under the Landmark Long Term Servicing Agreement or (iii) the Master Servicer and Legal Title Holder Deed and/or the BAWAG Master Servicer and Legal Title Holder Deed has been terminated,

(each a **Servicer Termination Event**).

The Servicer may resign upon giving not less than 12 months' written notice provided that, inter alia, a replacement servicer has been appointed by the Issuer (subject to the prior written consent of the Security Trustee).

The Servicer may resign following the occurrence of a Servicer Resignation Event upon giving notice to the Issuer with effect from the later of (i) the date specified in such notice, and (ii) the earlier of (x) the expiry of 150 days from the date the notice was delivered and (y) the date that a replacement servicer is appointed.

Each of the following events is a **Servicer Resignation Event**:

- (a) a default is made by the Issuer in the payment of the fees or any other amounts due and payable to the Servicer under the Servicing Agreement and such default continues unremedied for 30 Business Days from the date such payment is due;
- (b) default is made by the Issuer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, and in the reasonable opinion of the Servicer such default causes a material adverse effect on any of (i) the performance of the services or (ii) the ability of the Servicer to fulfil its general corporate obligations or its regulatory or statutory obligations or (iii) the Servicer's reputation, or its economic or financial interests, and such default continues unremedied for a period of 20 business days after the earlier of the Issuer becoming aware of such default and receipt by the Issuer of

written notice from the Servicer requiring the default to be remedied, provided that where an obligation or covenant is required to be performed by a third party on behalf of the Issuer, default by such third party in the performance of such obligations shall not constitute a Servicer Resignation Event; or

- (c) an Insolvency Event in respect of the Issuer.

TRANSACTION OVERVIEW - FEES

The following table sets out the on-going fees to be paid by the Issuer during the lifetime of the transaction to the transaction parties and other ancillary fees, taxes and costs.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing Fees:	<p>The fees payable by the Issuer on each Interest Payment Date, subject to there being sufficient Available Revenue Receipts and/or Available Principal Receipts and payable in each case in accordance with the applicable Priority of Payments.</p> <p>The Servicing Fees, shall be in an amount equal to:</p> <ul style="list-style-type: none"> (a) the product of the Portfolio Balance and 0.07% per annum on the aggregate current balance of the Loans net of the balance of the direct debit suspense account at each month end; (b) £100 per account for processing redemptions; (c) £500 per account that receives advice from the Servicer in relation to contract variation or associated activity subject to a cap equal to the Product of the Portfolio Balance and 0.06% per annum; and (d) £40 per Borrower per month arrears administration fee, payable where any account of the Borrower is one month or more in arrears (subject to this fee being charged once per Borrower per month irrespective of the number of Accounts in arrears in relation to that Borrower, 	Ahead of all outstanding Notes.	Accrue monthly in arrear and payable quarterly in arrear on each Interest Payment Date.

in each case, exclusive of VAT.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
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In addition, an amount equal to the product of the Portfolio Balance and 0.035% per annum on the aggregate current balance of the Loans net of the balance of the direct debit suspense account at each month end shall be paid subject to achievement of the performance targets (to be agreed between the Servicer, the Issuer and Landmark on or before 120 days after the Closing Date. VAT will be payable as additional fees, if applicable (**PBP Fee**).

The Servicing Fees, excluding the PBP Fee, are subject to an annual uplift of RPIX (subject to a maximum annual increase of 2.5%) on 18 July each year. The percentage change RPIX shall be the average of each month's movement in that index over the latest available preceding twelve (12) month period, using the published index which is the most recently available version at the start of the relevant year.

Back-Up Servicing Fee:

The fees payable by the Issuer on each Interest Payment Date, subject to there being sufficient Available Revenue Receipts and/or Available Principal Receipts and payable in each case in accordance with the applicable Priority of Payments.

Ahead of all outstanding Notes.

Quarterly in arrear on each Interest Payment Date.

The Back-Up Servicing Fee shall be in an amount equal to:

- (a) £80,000 payable upon the entry into the Back-Up Servicing Agreement; and
- (b) an annual fee equal to the greater of (a) 0.012% of the aggregate outstanding Current Balance of the Loans on the basis of the number of days elapsed in an Interest Period and a 365 day year (or 366 in a leap

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
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year) of the Current Balance of the Loans as at the preceding Interest Payment Date and (b) £25,000;

in each case, exclusive of VAT.

- (a) In the event that CMS's role as Servicer is terminated and WMS is appointed as the replacement servicer; the following fees will be payable: one-time invocation fee of £850,000 (subject to a £200,000 discount in the event that WMS is appointed as the replacement servicer to the servicer on the Landmark Long Term Servicing Agreement);
- (b) a replacement servicing fee, calculated on a monthly basis, being equal to an amount calculated on the basis of the number of days elapsed in that month and a 365 day year, at a rate of 0.08 per cent (0.08%) per annum on the aggregate outstanding Current Balance of all Loans serviced by WMS as replacement servicer, as determined by aggregating the Balance of all Loans on the last day of the preceding month and last day of the relevant month and dividing that sum by 2;
- (c) £100 per account for processing redemptions; and
- (d) £40 per Borrower per month arrears administration fee, payable where any account of the Borrower is one month or more in arrears (subject to this fee being

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
	charged once per Borrower per month irrespective of the number of Accounts in arrears in relation to that Borrower),		
	in each case exclusive of VAT.		
Master Servicer Fee:	The fees payable to the Master Servicer in arrear in respect of the immediately preceding three Collection Periods on each Interest Payment Date, subject to there being sufficient Available Revenue Receipts and/or Available Principal Receipts and payable in each case in accordance with the applicable Priority of Payments.	Ahead of all outstanding Notes.	Quarterly in arrear on each Interest Payment Date.
	The Master Servicer Fee shall be in an amount equal to the product of the Portfolio Balance as at close of business on the last Business Day of the immediately preceding month multiplied by 0.015% and divided by 12, exclusive of VAT.		
Legal Title Holder Fee:	The fees payable to the Legal Title Holder in arrear in respect of the immediately preceding three Collection Periods on each Interest Payment Date, subject to there being sufficient Available Revenue Receipts and/or Available Principal Receipts and payable in each case in accordance with the applicable Priority of Payments.	Ahead of all outstanding Notes.	Quarterly in arrear on each Interest Payment Date.
	The Legal Title Holder Fee shall be in an amount equal to the product of the Portfolio Balance as at close of business on the last Business Day of the immediately preceding month multiplied by 0.03% and divided by 12, exclusive of VAT.		
Back-Up Servicer Facilitator Fees:	The fees payable by the Issuer on each Interest Payment Date, subject to there being sufficient Available Revenue Receipts and/or Available	Ahead of all outstanding Notes.	Quarterly in arrears on each Interest Payment Date

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
	Principal Receipts and payable in each case in accordance with the applicable Priority of Payments:		
	(a) an annual fee in the amount of £1,000, exclusive of VAT; and		
	(b) a per hourly fee of £400, exclusive of VAT, payable in respect of the Back-Up Servicer Facilitator's obligations to use reasonable endeavours to find a replacement servicer and/or Back-Up Servicer Facilitator in certain circumstances.		
Other fees and expenses of the Issuer	Estimated at £100,000 each year, exclusive of VAT.	Ahead of all outstanding Notes.	Quarterly in arrears on each Interest Payment Date
Expenses related to the admission to trading of the Notes.	Estimated at €7,140, exclusive of VAT.	Ahead of all outstanding Notes.	On or about the Closing Date

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

RISK RETENTION REQUIREMENTS

The Retention Holder will retain a material net economic interest of not less than 5% in the securitisation (representing downside risk and economic outlay) in accordance with the text of each of Article 405(1) of the Capital Requirements Regulation, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Regulation (which, in each case, does not take into account any corresponding national measures).

As at the Closing Date the retention will comprise the Retention Holder holding no less than 5% of the first loss tranche as required by the text of each of Article 405(1) of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Regulation. As to the information to be made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Prospectus and to any other information provided separately (which information shall not form part of this Prospectus) and, after the Closing Date, to the monthly investor reports provided to the Noteholders pursuant to the Cash Management Agreement and published on the following website: www.usbank.com/abs. The website at www.usbank.com/abs and the contents thereof do not form part of this Prospectus.

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

- (a) subscribe for, hold and retain, for as long as any Class of Notes is outstanding, a material net economic interest in the securitisation comprised in the Transaction Documents in an amount equal to at least 5% (representing downside risk and economic outlay) in accordance with the text of each of Article 405(1)(d) of the CRR, Article 51(1)(d) of the AIFMR and Article 254(2)(d) of the Solvency II Regulation (or the corresponding law or rules of any applicable jurisdiction) of the first loss tranche;
- (b) not change the manner or form in which it retains such net economic interest, except to the extent permitted under the CRR, AIFMR or the Solvency II Regulation;
- (c) not transfer, sell or hedge or otherwise enter into any credit risk mitigation, short position or any other credit risk hedge with respect to such net economic interest, except to the extent permitted under the CRR, AIFMR or the Solvency II Regulation;
- (d) at all times confirm, promptly upon the written request of the Arranger, the Joint Lead Managers and/or the Security Trustee, the continued compliance with paragraphs (a), (b) and (c) above;
- (e) promptly notify the Arranger, the Joint Lead Managers and the Security Trustee if for any reason it (i) ceases to hold the retention in accordance with the requirements of the Mortgage Sale Agreement and the Subscription Agreement or (ii) fails to comply with the covenants set out in the Mortgage Sale Agreement and the Subscription Agreement in respect of the retention; and
- (f) comply with the disclosure obligations described in Article 409 of the CRR by confirming its risk retention as contemplated by Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation through the provision of the information in this Prospectus, disclosure in the monthly Investor Reports (as prepared by the Cash Manager) and procuring provision to the Joint Lead Managers, the Arranger and the Issuer of access to any reasonable and relevant additional data and information referred to in Article 409 of the CRR (subject to all applicable laws) (such undertaking, the **Risk Retention Undertaking**),

provided that the Retention Holder will not be in breach of the requirements of this paragraph (f) if due to events, actions or circumstances beyond its control, it is not able to comply with the undertakings contained herein.

Any change to the manner in which such interest is held will be notified to the Noteholders.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with each of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFMR (including Article 51) and Chapter VIII of the Solvency II Regulation (including Article 254) and any corresponding national measure which may be relevant and none of the Issuer, the Originator, the Seller, the Cash Manager, the Back-Up Servicer, the Servicer, the Master Servicer, the Servicing Consultant, the Note Trustee, the Security Trustee, the Arranger or the Managers makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes.

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

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Portfolio

Under the mortgage sale agreement entered into on or around the Closing Date between, amongst others, the Seller, the Issuer and the Security Trustee (the **Mortgage Sale Agreement**), on the Closing Date the Seller will (in consideration for payment of the Consideration) (a) sell, assign or otherwise transfer to the Issuer pursuant to the Mortgage Sale Agreement an equitable interest in a portfolio of English and Welsh residential Loans each secured by an English Mortgage and, where applicable, other Related Security (the **English Loans**); and (b) unwind and release its interest as beneficiary under the Existing Scottish Declaration of Trust and procure that the Legal Title Holder grants the Scottish Declaration of Trust in respect of the Scottish Loans and their Related Security (the **Scottish Loans**), in favour of the Issuer. The English Loans and their Related Security will be assigned by way of equitable assignment to the Issuer. The Scottish Loans and their Related Security comprising the Portfolio will be held on trust for the Issuer. In each case the assignments and declaration of trust set out in this paragraph are referred to as the **sale** by the Seller to the Issuer of the Loans and Related Security. The Loans and Related Security comprising the portfolio and all monies derived therefrom from time to time are referred to herein as the **Portfolio**). The "Loans" and "Related Security" are further defined in the section entitled "*Transaction Overview - Portfolio and Servicing*".

The Consideration due to the Seller in respect of the sale of the Portfolio will consist of:

- (a) an amount equal to the Current Balance of the Loans in the Portfolio as at the close of business on the calendar day immediately preceding the Closing Date (the **Initial Consideration**); and
- (b) a covenant by the Issuer to pay any Deferred Consideration.

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.

Deferred Consideration means the consideration due and payable to the Seller pursuant to the Mortgage Sale Agreement in respect of the sale of the Portfolio, which shall be an amount equal to the amount remaining after making payment of (as applicable):

- (a) the items described in (a) to (m) inclusive of the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date; or
- (b) the items described in (a) to (f) inclusive of the Post-Acceleration Priority of Payments.

Consideration means the Initial Consideration and the Deferred Consideration.

Product Switches, Further Advances, Flexible Drawings and Porting

The sale of Loans and their Related Security comprised in the Mortgage Portfolio do not impose or include any obligation on the Issuer (i) to agree to a Product Switch or a Porting request; or (ii) to agree to any Authorised Underpayments or any Payment Holiday and the obligations referred to in (i) and (ii) above (if any) remain an obligation of the Legal Title Holder, notwithstanding the sale of such Loans and their Related Security to the Issuer.

The Seller undertakes to the Issuer to repurchase (in respect of a Loan other than a Scottish Loan) the equitable interest and (in respect of a Scottish Loan) the beneficial interest in such Loan if a Borrower requests at any time a Product Switch, and it is agreed that such request will be accommodated.

The Seller undertakes to the Issuer to repurchase (in respect of a Loan other than a Scottish Loan) the equitable interest and (in respect of a Scottish Loan) the beneficial interest in such Loan if a Borrower requests at any time a Further Advance and the Issuer is unable to fund any Further Advance from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall and it is agreed that such request will be accommodated.

To the extent that the Mortgage Conditions require an advance of a Flexible Drawing and subject to the relevant Borrower satisfying any conditions under the relevant Mortgage Conditions, the Issuer shall fund any request by a Borrower for a Flexible Drawing under the relevant Mortgage Loan.

The Cash Manager (on behalf of the Issuer) will pay to the Legal Title Holder or the Servicer (as applicable) any such amount to be advanced to a Borrower as a Further Advance or Flexible Drawing at any time by applying Available Principal Receipts standing to the credit of the Transaction Account (to the extent available) in accordance with the applicable provisions of the Cash Management Agreement and the Servicing Agreement.

In the event that the Issuer does not have sufficient funds available to fund any such amounts to be advanced to Borrowers as a Further Advance or Flexible Drawing pursuant to the above paragraph and the Class Z VFN Holder fails to advance an amount equal to such shortfall, then the Seller shall be obliged to repurchase (in respect of a Loan other than a Scottish Loan) the equitable interest and (in respect of a Scottish Loan) the beneficial interest in such relevant Mortgage Loan and its Related Security together with any other Mortgage Loan secured or intended to be secured by such Related Security or any part of it, in accordance with the provisions of the Mortgage Sale Agreement.

Perfection

The Issuer (or following delivery of a Note Acceleration Notice, the Security Trustee) may, subject to the provisions of the Master Servicer and Legal Title Holder Deed, following the occurrence of a Perfection Trigger Event, deliver to the Legal Title Holder a notice in writing (a **Perfection Notice**) requiring completion of the transfer by way of assignment or, as applicable, assignation to a new legal title holder of the legal title to the Loans and their Related Security as soon as reasonably practicable following the delivery of the Perfection Notice.

A replacement legal title holder will be selected in accordance with the terms of the Loan Management Deed and the Master Servicer and Legal Title Holder Deed.

Each of the Seller and the Issuer agrees to notify the other and the Security Trustee and in writing as soon as reasonably practicable after it becomes aware of the occurrence of a Perfection Trigger Event.

The obligations of the Legal Title Holder following a Perfection Trigger Event are set out in the Master Servicer and Legal Title Holder Deed.

Conditions to Sale

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

Representations and Warranties

On the Closing Date, the Loan Warranties will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on the Closing Date, the relevant Advance Date or Drawings Date (as applicable).

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

- (a) The particulars of each Mortgage Loan and its related Mortgage in the Mortgage Portfolio set out in Exhibit 1 to the Mortgage Sale Agreement and the related portfolio listing referred to in the Scottish Declaration of Trust are complete, true and accurate in all material respects.
- (b) Each Mortgage Loan and its related Mortgage and Related Security constitutes the legal, valid, binding and enforceable obligations of the relevant Borrower in accordance with its terms, except that:
 - (i) enforceability may be limited by (A) bankruptcy or insolvency of the Borrower, (B) the court's discretion in relation to equitable remedies; (C) the Unfair Terms in Consumer Contracts Regulations 1999, the Unfair Contract Terms Act 1977 and the Consumer Rights Act 2015; and (D) the CCA; and
 - (ii) no warranty is given that any Early Repayment Fees, administration fees, exit fees or charges payable in the event of Borrower default are valid, binding and enforceable,and each related Mortgage secures the repayment of all advance, interest, costs and expenses payable by the relevant Borrower (other than in relation to any prepayment charges).
- (c) The Loan Files and the Title Deeds, are currently in the possession of the Legal Title Holder, or held to its order, save for those Title Deeds held or being dealt with by solicitors in accordance with its instructions.
- (d) Each Mortgage Loan is denominated in, and all amounts in respect of such Mortgage Loan are payable in, sterling and may not be changed by the relevant Borrower to any other currency.
- (e) So far as the Seller is aware, each Mortgage Loan and its Related Security, was originated in accordance with all Applicable Laws (save for those Applicable Laws referred to in paragraphs (b)(i)(C) and (b)(i)(D) above, as to which no statement is made in this paragraph (e)) and internal policies and procedures of the Legal Title Holder in force, and as interpreted or generally applied, at the relevant time.
- (f) Each Mortgage Loan was made on and remains on materially the same terms as are set out in the Standard Documentation or, where there have been any changes to those terms, those changes would have been acceptable to a Prudent Lender operating in the market at the time the relevant Mortgage Loan was approved.
- (g) So far as the Seller is aware, interest and all other sums on each Mortgage Loan has been charged in accordance with the provisions of the Mortgage Loan and its Related Security. Interest on all Loans is payable monthly unless modified for forbearance.

- (h) At the time of origination of the relevant Mortgage Loan and, if so indicated in the relevant data tape, subsequently, a valuation of the relevant Property was undertaken by an independent valuer.
- (i) Subject to completion of any registration or recording of a Mortgage relating to any Mortgage Loan which may be pending (and there is nothing to prevent that registration or recording being effected), such Mortgage constitutes a first valid and subsisting first ranking legal mortgage or (in relation to Scottish Mortgages) standard security over the relevant Property and secures in priority to all other mortgages, charges and Standard Securities all monies owing under the Mortgage Loan.
- (j) Immediately prior to the transfer of the Loans under the Mortgage Sale Agreement, the Seller was the absolute beneficial owner of all of such Loans and the related Mortgages and the Related Security to be sold to the Issuer thereunder at the Closing Date, and the Seller has not assigned (whether by way of absolute assignment or assignation or by way of security only), transferred, charged, released, disposed of or dealt with the benefit of any of the Mortgage Loans, the Related Security or any of the property, rights, title, interest or benefit to be sold or assigned pursuant to the Mortgage Sale Agreement in any way whatsoever other than pursuant to the Mortgage Sale Agreement.
- (k) As at the Portfolio Reference Date, no Loan has an arrears balance which is one or more Monthly Subscriptions (where **Monthly Subscription** means in relation to any Mortgage Loan, the amount in the ordinary course of administration of that Mortgage Loan due to be paid by the relevant Borrower on each scheduled payment date, comprising interest and, where applicable, contractual repayments of principal and other sums, as determined in accordance with the terms and conditions of that Mortgage Loan, without regard for any discounted or additional payment arrangements agreed with the relevant Borrower).
- (l) So far as the Seller is aware, no Borrower is in breach of any material obligation owed in relation to any of the Loans (other than in relation to any payment default in respect of those Loans and any other breach which would lead to one or more ordinary course enforcement actions).
- (m) So far as the Seller is aware, the Legal Title Holder has not received written notice of any litigation or claim calling into question in any material way its title to any Mortgage Loan and its Related Security or its ability to fully and effectively enforce the same and the Legal Title Holder is not engaged in any litigation (other than frivolous or vexatious claims), and no litigation is pending or threatened by the Legal Title Holder, against any person in connection with any report, valuation, opinion or certificate given in connection with any Mortgage Loan, in each case which could materially and adversely affect the value of any Mortgage Loan.
- (n) As far as the Seller is aware, the Legal Title Holder has complied with its obligations under and has exercised its rights in accordance with each of the Mortgage Loans and the relevant Related Security and it has administered each of the Loans and the relevant Related Security in accordance with the relevant contractual terms and Applicable Laws in all material respects.
- (o) Each relevant Property is located in England, Wales or Scotland.
- (p) In relation to any Mortgage Loan which is a regulated mortgage loan within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, so far as the Seller (the Seller having performed such due diligence as the Seller considered appropriate before the execution of the Mortgage Sale Agreement) is aware, all then applicable requirements of MCOB have been complied with in all material respects in connection with

the origination (including in respect of any further advance), documentation and administration of such Mortgage Loan.

- (q) To the extent that any Mortgage Loan and its Related Security is subject to the UTCCR, no action whether formal or informal has been taken by the CMA, the FCA or a "qualifying body" as defined in the UTCCR, against the Seller or (as far as the Seller is aware) the Legal Title Holder pursuant to the UTCCR or otherwise which might restrict or prevent the use of any Mortgage Loan and/or its Related Security of any material term or the enforcement of such terms.
- (r) No lien or right of set-off or counterclaim has been created or arisen between the Legal Title Holder and a Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under any of the Loans.
- (s) Other than acting in accordance with MCOB and all Applicable Laws, neither the Seller nor, so far as the Seller is aware, the Legal Title Holder has waived or acquiesced in any breach of any of its rights in respect of a Mortgage Loan or the relevant Related Security where such breach would have a material adverse effect on the value of that Mortgage Loan or Related Security, other than in relation to any payment dispute in respect of those Loans, as a result of which part of the Current Balance of the relevant Mortgage Loan has been written off in whole or in part.
- (t) So far as the Seller is aware, none of the terms in any Mortgage Loan and any related Mortgage have been operated, applied or administered in a manner materially inconsistent with the Legal Title Holder's policies and procedures or otherwise in a manner which would render them unfair terms within the meaning of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contracts Regulations 1999 in any material respect except for those which impose Early Repayment Fees.
- (u) The Loans and their Related Security are not subject to any contractual confidentiality restrictions which may restrict the ability of the Issuer to acquire or dispose of the same or to exercise its rights or discharge its obligations under the Transaction Documents.
- (v) All Loans and their Related Security are freely assignable and no formal approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer or a transfer of the Loans and their Related Security pursuant to the Mortgage Sale Agreement are required and there is no requirement in order for the transfer to be effective to notify any Borrower before, on or after any equitable or beneficial transfer thereof.
- (w) There is no Mortgage Loan in respect of which the Legal Title Holder has agreed to, and there are no obligations to, make a Further Advance or other advance or credit facility other than those Loans which contain terms entitling the Borrowers to redraw funds if the Borrowers have previously made overpayments or the Loans identified in the relevant data tape as having a redraw facility.
- (x) The Legal Title Holder has kept full and proper accounts, books and records, showing all material transactions relating to each Mortgage Loan and those accounts, books and records are complete and up-to-date in all material respects and in the possession of the Legal Title Holder or held to its order.
- (y) Each Mortgage Borrower is a natural person, and no Mortgage Borrower is at present an employee or an officer of the Seller or, as far as the Seller is aware, the Legal Title Holder.

- (z) The Insurance Contracts are in full force and effect and all premiums thereon due have been paid in full and the Seller is not aware of any circumstances giving the insurer under the Insurance Contracts the right to void or terminate the relevant policy or to refuse payment or reduce the amount payable.
- (aa) So far as the Seller is aware, no Mortgage Borrower was under 18 years of age at the time of completion of the relevant Mortgage Loan.
- (bb) No Mortgage Loan nor its Related Security consists of or includes any "stock" or "marketable securities" within the meaning of section 125 of the Finance Act 2003, "chargeable securities" for the purposes of section 99 of the Finance Act 1986 or a "chargeable interest" for the purposes of section 48 of the Finance Act 2003 and section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013.
- (cc) So far as the Seller is aware, no Borrower has had a county court judgment (including for the avoidance of doubt, a county court judgment that was known at the point of origination) entered or awarded against such Borrower.
- (dd) So far as the Seller is aware, no Borrower is bankrupt or is subject to an individual voluntary arrangement.
- (ee) So far as the Seller is aware, the maximum Indexed Current LTV of a Mortgage Loan is 95 per cent.

Neither the Security Trustee, the Arranger nor any of the Joint Lead Managers have undertaken any additional due diligence in respect of the application of the lending criteria and have relied entirely upon the representations and warranties referred to above which will be made by the Seller to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

Obligation to repurchase by the Seller and option to make an Indemnity Payment

Subject to the option of the Seller set out below, the Seller is under an obligation to repurchase the relevant Loan and its Related Security upon a breach of Loan Warranties not capable of remedy or, if capable of remedy, not remedied within the agreed grace period.

The Seller may opt instead to make an indemnity payment to the Issuer in relation to Loans and their Related Security upon a breach of Loan Warranties not capable of remedy or, if capable of remedy, not remedied within the agreed grace period, rather than repurchase the relevant Loan.

If any Loan is subject to the exercise of any actual or purported right of set off, any balance adjustment, any counterclaim or defence or any other act or omission which relates to: (i) a PPI Claim; or (ii) a Remediation Claim, as a result of which the amount payable or recoverable under the Loan is reduced or the Issuer is required to make any compensation or other payment or to pay any fine or penalty (all such reductions, compensation, payments, fines and penalties being **PPI Liabilities** and **Remediation Liabilities** respectively), then the Seller is similarly obliged to repurchase such Loan, or opt instead to indemnify the Issuer. No time limit or financial cap applies in respect of the Seller's obligations to the Issuer in the circumstance summarised in this paragraph, except in the case of any "Additional Remediation Matters" (being those matters which are identified after the Closing Date and up to the date falling 18 months after the Share Purchase Date to also be Additional Remediation Matters), in which case any such obligation on the Seller to repurchase (or, instead, to indemnify) the Issuer under the terms of the Mortgage Sale Agreement shall only apply to matters identified as being

Additional Remediation Matters during the period from the Closing Date to the date falling 18 months after the Share Purchase Date.

Any such price paid for a repurchase will be an amount in an amount equal to the Current Balance (including accrued interest) of the Loan(s) prior to any deductions or downward balance adjustment or payments that may have been applied or made in respect of remediation, claims or set-off related to the relevant Loan Warranty, PPI Liability or Remediation Liability for which such Loan is being repurchased.

As described and subject to the above, however, if the Seller so chooses, instead of effecting a repurchase of the relevant Loan, it shall indemnify and keep indemnified the Issuer against all Liabilities relating to the breach of Loan Warranty, all PPI Liabilities relating to a PPI Claim and all Remediation Liabilities relating to a Remediation Claim, provided that the amount payable by the Seller pursuant to such indemnity shall not exceed the amount that would have been payable by the Seller if it had repurchased that Loan and its Related Security (i.e. the Current Balance of the affected Loan). See further "*Risk Factors – Limited remedies available to the Issuer in respect of any breach of representation or warranty made by the Seller under the Mortgage Sale Agreement*".

Governing Law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by English law (other than those terms of the Mortgage Sale Agreement particular to the laws of Scotland, which shall be construed in accordance with Scots law).

In this Prospectus, the capitalised terms below have the following definitions:

Alternative Insurance Requirements means the Legal Title Holder's standard document entitled "Alternative Insurance Requirements", and any other document containing similar recommendations or requirements which is sent to Borrowers.

Applicable Laws means:

- (a) for the purpose of the Mortgage Sale Agreement (i) all applicable laws, rules, regulations, ordinances, directives, statutes, authorisations, permits, licences, notices, instructions and decrees of any relevant regulatory authority or any judgment or judicial practice of any court, and any other legally binding requirements of any regulatory authority or government authority having jurisdiction with respect to the Loans, including, without limitation, MCOB and CONC; and (ii) any publications of any relevant regulatory authority or regulator (including the FCA's guidance, policies and publications relating to the Treating Customers Fairly initiative and good practice and guidance published by the FOS) and any prevailing guidance of the Council of Mortgage Lenders, in each case only to the extent it is legally binding or is good practice to follow and which does not conflict with any of the matters referred to in paragraph (i) of this definition;
- (b) for all other purposes, any law or regulation including, but not limited to: (i) any domestic or foreign statute or regulation; (ii) any rule or practice of any Authority with which any party is bound or accustomed to comply; and (iii) any agreement entered into by any party and any Authority or between any two or more Authorities.

Authority means any competent regulatory, prosecuting, tax or governmental authority in any jurisdiction, domestic or foreign;

Block Buildings Policy means any block buildings insurance policies which relates to Loans in the Mortgage Portfolio from time to time.

Building Policies means any buildings insurance policies and other contracts relating to freehold English Properties or any Scottish Properties which have been taken out in the name of the relevant Borrower or in the name of the Borrower and the Legal Title Holder or in the name of the Borrower with the Legal Title Holder's interest noted, in accordance with the applicable Mortgage Conditions or the Alternative Insurance Requirements, including, without limitation, any Block Buildings Policy.

Business Day means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for general business in (i) London; or (ii) (in the case of the Seller, the Class Z VFN Registrar and the Class Z VFN Holder) in London and Austria.

Calculation Date means the third Business Day preceding each Interest Payment Date.

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

Closing Date Revenue Collections means an amount representing an aggregate of all amounts referred to in the definition of Revenue Receipts (to the extent applicable) received in respect of the Mortgage Portfolio during the period between the Cut-Off Date and the Closing Date as determined by the Cash Manager on the Reconciliation Date.

Collection Period means the quarterly period commencing on and including the Collection Period Start Date and ending on but excluding the immediately following Collection Period Start Date except that the first Collection Period will commence on the Closing Date and end on but exclude the Collection Period Start Date falling in March 2017.

Collection Period Start Date means 1st March, June, September and December of each year.

Cut-Off Date means 7 November 2016.

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

Flexible Loan means a type of Loan product that typically incorporates features that give the Borrower options (which may be subject to certain conditions) to, amongst other things, make further drawings on the mortgage loan account and/or to overpay or underpay interest and principal in a given month and/or to take a Payment Holiday.

FOS means the Financial Ombudsman Service or any successor entity that assumes its relevant functions.

Governmental Authority means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

Insurance Contracts means any insurance contracts or policies arranged by the Legal Title Holder from time to time relating to the Loans in the Mortgage Portfolio.

Liabilities means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, decrees, actions, proceedings or other liabilities whatsoever including properly incurred legal fees and any Taxes (other than VAT or amounts in respect of VAT which, in each case, are recoverable and any Tax incurred on actual net income, profits or gains) and penalties incurred by that person, together with (but without double counting) any irrecoverable VAT charged or chargeable in respect of any of the sums referred to in this definition.

Loan Files means the file or files relating to each Loan and Related Security (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing, *inter alia*, all material correspondence relating to that Loan and Related Security; and the completed mortgage documentation applicable to the Loan and Related Security (other than the title deeds) including each letter of offer for that Loan, the Valuation Report and the Certificate of Title (where applicable), whether original documentation, in electronic form or otherwise.

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

Monthly Instalment means, in relation to any Loan, the amount in the ordinary course of administration of that Loan due to be paid by the relevant Borrower on each monthly payment date under the Mortgage Conditions, comprising interest and, where applicable, contractual repayments on principal and other sums (as determined in accordance with the terms and conditions of that Loan).

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

Mortgage means:

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

which is, or is to be, sold, assigned or transferred by the Seller to the Issuer or (in respect of any Scottish Loan) held in trust by the Legal Title Holder for the Issuer (as beneficiary) pursuant to:

- (c) the Mortgage Sale Agreement, in respect of any English Loan; or
- (d) the Scottish Trust created by the Scottish Declaration of Trust, in respect of any Scottish Loan,

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

Mortgage Conditions means in respect of a Loan, all the terms and conditions applicable to such Loan and the relevant general conditions of each Originator, each as varied from time to time by the relevant loan agreement, the relevant Mortgage Deed and the Offer Conditions.

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

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

Payment Holidays means in respect of any Mortgage Loan, a period of one or more Monthly Payment Dates when the relevant Borrower under such Mortgage Loan is permitted by the lender in accordance with the relevant Mortgage Conditions not to make its regular Monthly Payment which does not constitute an Unauthorised Payment Holiday.

Porting means any substitution of a Property which is subject to a Mortgage in respect of a Mortgage Loan with another Property where such substitution is contractually required to be permitted pursuant to the relevant Mortgage Conditions.

PPI means payment protection insurance.

PPI Claim means any claim made by a Borrower, any direction or ruling of any Governmental Authority, FOS, court or regulator, any exercise of any actual or purported right of set off, any balance adjustment, any counterclaim or deference or any other act or omission in connection with or in relation to any payment protection insurance in respect of any Loan which could give rise to any reduction in any amount payable or recoverable under any Loan or payment of any compensation or other amounts to any Borrower.

Property means, in relation to any Loan, the freehold or leasehold property in England and Wales or (as applicable) the heritable or long leasehold property in Scotland and, in each case, all rights and security attached or appurtenant or related thereto and all buildings and fixtures thereon which are subject to the Mortgage securing repayment of such Loan.

Prudent Mortgage Servicer means a leading residential mortgage servicer who is acting prudently in servicing residential mortgage loans and their collateral security in respect of residential property in England, Wales, Scotland or Northern Ireland and which have in all material respects the same or similar characteristics to the Portfolio and are administered to standards, criteria and procedures as ought to have been applied in relation to the Portfolio or, if the relevant content in the Servicing Agreement relates to a specific Loan, as ought to have been applied in relation to such Loan.

Reasonable Prudent Mortgage Lender means a reasonably prudent residential mortgage lender lending to borrowers in England and Wales, and Scotland where the Loan is secured over residential property;

Receiver means any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Assets by the Security Trustee pursuant to the Deed of Charge.

Related Security means, in relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement including (without limitation):

- (a) the benefit of all affidavits, declarations, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, deeds of consent relating to the relevant Property and MHA/CP Documentation) from occupiers and other persons having an interest in or rights in connection with the relevant Property;
- (b) each right of action of the Legal Title Holder against any person (including, without limitation, any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each certificate of title and valuation report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the Legal Title Holder to make or offer to make all or part of the Mortgage Loan; and
- (c) the benefit of (including, without limitation, the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies (including, the relevant Building Policies, Insurance Contracts, life policies and charges) deposited, charged, obtained or held in connection with the relevant Loan, Mortgage and/or Property and relevant Loan Files.

Remediation Claim means certain specified programmes of customer remediation and redress identified in the Option Agreement relating to remediation matters (amongst other things), interest setting, certain administration and arrears and certain other matters.

Right to Buy Loan means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under (a) section 156 of the Housing Act 1985 (the **1985 Act**) excluding however any such Loans in respect of which the statutory charge referred to in section 155 of the 1985 Act has expired (in the case of English Mortgages) or (b) section 61 of the Housing (Scotland) Act 1987 (as amended) (the **1987 Act**) (in the case of Scottish Mortgages) excluding however any such Loans in respect of which the period during which the Borrower's standard security in favour of the seller of the Property referred to in section 72 of the 1987 Act is of effect has expired.

Scottish Mortgage means a first ranking standard security over a Scottish Property.

Scottish Property means a Property situated in Scotland and **Scottish Properties** shall be construed accordingly.

Standard Documentation means the standard documentation of the Originator being the documents which were used by the relevant Originator at the relevant time in connection with its activities as a residential mortgage lender, a list or CD of which is set out in or appended to Exhibit 1 to the Mortgage Sale Agreement, or any update or replacement therefor as permitted by the terms of the Mortgage Sale Agreement.

Tax means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same). **Taxes** and **Taxation** shall be construed accordingly.

Title Deeds means, in relation to a Loan, the deed constituting the relevant Mortgage and any documents of title to the relevant Property and to the Related Security.

Unauthorised Payment Holiday means, in respect of any Loan, any period when the relevant Borrower under such Loan is permitted by the lender, not to make its regular Monthly Instalment and such payment holiday is not contractually required to be permitted pursuant to the relevant Mortgage Conditions.

Valuation Report means the valuation report or reports for mortgage purposes, in the form of the pro forma contained in the Standard Documentation, obtained by the Legal Title Holder from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable Prudent Mortgage Lender.

Servicing Agreement

Introduction

The Issuer, the Security Trustee, the Master Servicer, the Legal Title Holder, the Back-Up Servicer Facilitator, the Seller, the Servicing Consultant and the Servicer will enter into, on or about the Closing Date, a servicing agreement relating to the servicing of the Loans and their Related Security (the **Servicing Agreement**). The services to be provided by the Servicer are set out in the Servicing Agreement (the **Services**).

Appointments

On or about the Closing Date, the Servicer will be appointed by the Issuer and the Legal Title Holder. The Servicer's actions in servicing the Loans and their Related Security in accordance with the terms of the Servicing Agreement (including the procedures of the Servicer set out therein) are binding on the Issuer. On or about the Closing Date, the Servicing Consultant will be appointed by the Issuer and the Legal Title Holder. The Servicing Consultant is appointed to:

- (a) act as a servicing consultant in relation to the Loans and their Related Security and, where applicable, to consult with the Servicer on certain matters; and
- (b) perform certain oversight, management and administration services set out in the Servicing Agreement.

The Services

The Services agreed to be performed by the Servicer include, but are not limited to:

- (a) discharge Loans and Related Security upon redemption;
- (b) monitor and, where appropriate, pursue arrears and enforce the Related Security;
- (c) to ensure all title deeds and documents in respect of the Loans and their Related Security which are in its possession are retained in secure storage;
- (d) process transfers of titles, deal with death registration process, handle the sale of land, credit file amendments and compensation (in respect of Borrower Complaints);
- (e) deal with all types of transactions, to handle refund request, set up direct debits and payment date changes;
- (f) deal with all customer correspondence on other aspects of Loans once the Mortgage Loan is drawn down, including changes in customer details and changes to customer mortgage information;
- (g) keep records and books of account for the Issuer in relation to the Loans and their Related Security comprised in the Mortgage Portfolio for a period of seven (7) years from the date of redemption of a Loan;
- (h) notify relevant Borrowers of any change in their Monthly Payment; and
- (i) permit each of the Issuer (or the Servicing Consultant on the Issuer's behalf), the Security Trustee, the Servicing Consultant and Landmark, its auditors or other authorised representatives to enter its premises and to have access to the records, subject to certain conditions set out in the Servicing Agreement.

The Servicing Standard

The Servicer shall perform all of its obligations under the Servicing Agreement at all times during business hours (unless otherwise agreed between the parties) and exercise a degree of skill and care that would be expected of a Prudent Mortgage Servicer. The Servicer shall use personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them. All obligations under the Servicing Agreement must be performed in accordance with the Service

Specification, Applicable Regulations and Good Industry Practice (to the extent consistent with Applicable Regulations).

Certain services are required to be performed by the Servicer in accordance with service levels applicable to all Landmark brand loans and agreed between Landmark, the Servicer and the Servicing Consultant (on behalf of the Issuer). If the Servicer fails to perform the services in accordance with the expected service level, this may result in a service credit being applied to reduce the Servicing Fee. The amount of credit to be applied against the Servicing Fee will be agreed between Landmark and the Servicing Consultant and will be up to 10% of the monthly Servicing Fee.

Undertakings by the Servicer

The Servicer has undertaken, among other things, to:

- (a) comply with any Applicable Regulations in the performance of the Services;
- (b) keep in place all necessary licences and/or consents in respect of the software to be used to provide the Services;
- (c) promptly obtain, comply with and maintain such approval, authorisation, permission, consent and licences required any Applicable Regulations in order to perform the Services and to and to notify the Issuer, Security Trustee and Landmark as to any matter or issue that could result in a restriction or revocation of such authorisation; and
- (d) pursuant to the terms of the Option Agreement, BAWAG P.S.K. and the Share Purchaser (and pursuant to the Deed of Covenant, the Issuer) have undertaken that they shall, during the Initial Post-Acquisition Period (i) procure that any Loans which are in arrears are dealt with in accordance with the Original Seller's debt management policies subject to certain notification requirements; (ii) set the interest rate on any Loan which is subject to a Standard Variable Rate by reference to the Bank of England Base Rate; and (iii) not charge any Early Repayment Fees in connection with any such Loans notwithstanding the fact that the terms of such Loans may provide for such charges.

Repurchase by the Seller

Without prejudice to any subsequent determination of a breach of Loan Warranty, the Master Servicer on behalf of the Issuer shall test compliance with the Loan Warranties applicable to:

- (a) the Portfolio on the Closing Date; and
- (b) Further Advances and Flexible Drawings 20 days after the end of the calendar month in which the Further Advances or Flexible Drawings occurred,

by reference to the circumstances existing as at the Closing Date or the relevant date the Flexible Drawing was granted (the **Drawings Date**) or the relevant date the Further Advance was granted (the **Advance Date**) (as applicable) and shall notify the Seller in writing of any breach of such Loan Warranties on the Closing Date or within five Business Days of the date specified in paragraph (b) above and, in the case of a breach of Loan Warranties, assist the Issuer with effecting any required repurchase of the Loans to rectify such breach in accordance with the terms of the Mortgage Sale Agreement.

Compensation of the Servicer

The Issuer will pay to the Servicer a monthly fee (the **Servicing Fee**) for its services under the Servicing Agreement which shall, for so long as CMS is the Servicer, be on the terms agreed between the Issuer and the Servicer in the Servicing Agreement.

The Servicing Fee is payable by the Issuer in arrears on each Interest Payment Date or, in respect of the Post-Acceleration Priority of Payments on any day on which amounts are so applied, in accordance with the Pre-Acceleration Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments.

The Servicing Fee will be reviewed on an annual basis and, if the RPIX most recently published before the review date exceeds the RPIX on the previous review date (or if none, the Closing Date), then the Servicing Fee will increase (but for the avoidance of doubt will not be reduced) automatically by the percentage differential between the RPIX applicable one year previously and the current RPIX.

RPIX means retail price index excluding mortgage interest payments (*RPIX*) in Column CDKQ in Table 53a/53b in the consumer price inflation tables published by the Office for National Statistics (or in the event that such index is no longer calculated, such replacement index that the parties agree generally reflects a shift in consumer price inflation).

All fees payable to the Servicer are exclusive of VAT.

Flexible Drawings, Further Advances, Product Switches, Payment Holidays, Porting and Authorised Underpayments

If the Legal Title Holder receives an application from a Borrower requesting a Further Advance, a Product Switch, a Payment Holiday, an underpayment or a Porting request, the Legal Title Holder will not agree to pay or make such Further Advance, agree to such Product Switch, Payment Holiday, underpayment or Porting request, unless (x) the Legal Title Holder is contractually obliged to do so under the relevant Mortgage Conditions, (y) it is a Payment Holiday, an Authorised Underpayment or a Porting request, or (z) otherwise the Seller is required under the Option Agreement to accommodate such request.

If, at any time, a Borrower requests a Product Switch then the Servicer or the Legal Title Holder (whichever has received the request) will notify the Servicing Consultant and/or the Issuer and the Seller promptly upon receipt of such request and provide such assistances and enter into such documents as may be reasonably required to ensure that the Issuer requests the repurchase and the Seller repurchases each relevant Loan in accordance with and subject to the terms of the Mortgage Sale Agreement.

If, at any time, the Legal Title Holder is required to make a Product Switch, the Legal Title Holder agrees to notify the Servicing Consultant and the Servicing Consultant agrees to notify the Issuer, the Seller and the Cash Manager thereof as soon as practicable thereafter in order that the Seller can repurchase the Loan in accordance with the Mortgage Sale Agreement. Furthermore, if at any time a Borrower requests a Flexible Drawing or a Further Advance and the Legal Title Holder has agreed to such request, the Legal Title Holder will notify the Servicing Consultant and the Servicing Consultant will notify (i) the Issuer and the Seller in order that the Issuer and the Seller can take the steps set out, in respect of Flexible Drawings or Further Advances (as applicable) of the Mortgage Sale Agreement and (ii) the Cash Manager in order that it can take the steps set out in respect of Flexible Drawings or Further Advances (as applicable) in the Cash Management Agreement.

Subject to the terms of the Option Agreement and the Mortgage Sale Agreement, the Master Servicer will also administer and service the Loans and their Related Security in connection with any Flexible

Drawings, Payment Holiday, Authorised Underpayment or Porting request (if applicable) including (without limitation) determining whether the relevant Borrower has complied with the conditions for the advance of a Flexible Drawing and performing all associated functions and the lender's duties in connection with any Flexible Drawing, Payment Holiday, Authorised Underpayment or Porting request (if applicable) subject to the conditions of the Servicing Agreement and the Mortgage Sale Agreement.

Removal or Resignation of the Servicer or the Servicing Consultant

A Servicer Termination Event shall occur if any of the following events occur:

- (i) default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or (following service of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied;
- (ii) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or any other Transaction Document to which it is a party and in the opinion of the Security Trustee (acting on the instructions of the Note Trustee), such default is materially prejudicial to the interests of the Noteholders (where determinations shall be conclusive and binding on all Secured Creditors) and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or (following delivery of a Note Acceleration Notice) the Security Trustee, as appropriate, requiring the same to be remedied;
- (iii) the Servicer ceasing to be an authorised person under FSMA or failure by the Servicer to obtain or maintain the necessary licences, registrations or regulatory approvals enabling it to continue servicing the Loans;
- (iv) an Insolvency Event in respect of the Servicer; or
- (v) either (i) the appointment of the servicer has been terminated under the BAWAG Servicing Agreement, (ii) the appointment of the servicer has been terminated under the Landmark Long Term Servicing Agreement, or (iii) the Master Servicer and Legal Title Holder Deed and/or the BAWAG Master Servicer and Legal Title Holder Deed has been terminated.

(each a **Servicer Termination Event**),

then the Issuer with the written consent of the Security Trustee (prior to the delivery of a Note Acceleration Notice) or (after delivery of a Note Acceleration Notice) the Security Trustee (in the case of paragraphs (i), (ii), (iv) or (v) above) may deliver written notice to the Servicer on becoming aware of the relevant Servicer Termination Event, to terminate the Servicer's appointment with effect from a date not earlier than the date of such notice (and in the case of paragraph (iii) above such notice shall be deemed to have been given to terminate the Servicer's appointment as Servicer under the Servicing Agreement with immediate effect) **provided that**, the Servicer's appointment shall not be terminated until the Back-Up Servicer or a successor servicer (the **Successor Servicer**) has been appointed.

Upon and following the termination of the appointment of the Servicer as servicer under the Servicing Agreement, the Issuer shall, in accordance with the Loan Management Deed, use its reasonable endeavours to appoint the Back-Up Servicer or a Successor Servicer which satisfies the conditions set out in the Servicing Agreement within 90 calendar days of the Servicer Termination Event.

The appointment of the Servicing Consultant may be terminated by the Issuer (prior to the delivery of a Note Acceleration Notice) or (after delivery of a Note Acceleration Notice) the Security Trustee if an Insolvency Event occurs with respect to the Servicing Consultant.

Voluntary Resignation

The appointment of the Servicer under the Servicing Agreement may be terminated by the Servicer upon the expiry of 12 months' written notice of termination given by the Servicer to the Issuer and to the Security Trustee (or by such shorter period of notice as may be agreed between the Servicer, the Issuer and the Security Trustee) provided that:

- (a) the Issuer and the Security Trustee consent in writing to such termination, such consent to be given on satisfaction of the successor servicer conditions; and
- (b) if any Loan comprises part of a Together Loan and the other part of such Together Loan is serviced by the Servicer under the BAWAG Servicing Agreement, the Servicer must simultaneously terminate its appointment as servicer under the BAWAG Servicing Agreement; and
- (c) the Back-Up Servicer or a Successor Servicer shall be appointed in accordance with the terms of the Servicing Agreement, such appointment to be effective not later than the date of such termination and the Servicer shall notify the Issuer with a copy to the Security Trustee in writing of the appointment of the Back-Up Servicer or the identity of such Successor Servicer.

The Servicer may resign following the occurrence of a Servicer Resignation Event upon giving notice to the Issuer, Landmark and the Security Trustee with effect from the later of (i) the date specified in such notice and (ii) the earlier of (x) the expiry of 150 days from the date the notice was delivered and (y) the date that a replacement servicer is appointed.

The appointment of the Servicing Consultant under the Servicing Agreement may be terminated by the Servicing Consultant upon the expiry of 6 months' written notice to the Issuer, the Security Trustee, Landmark and the Servicer.

Delivery of documents and records

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must (except to the extent necessary to comply with Applicable Regulations) as soon as reasonably practicable deliver to the Issuer (or as the Issuer may direct), *inter alia*, the Title Deeds and Loan Files relating to the Loans and their Related Security in its possession.

Limit to Servicer's Liability

The Servicer's liability in contract, tort (including negligence) or otherwise in respect of the Transaction Documents shall be limited in any Contract Year to the fees payable by the Issuer to the Servicer in eighteen months, (in aggregate) assuming full performance of the Services during this period and, in respect of the first Contract Year which starts on the Closing Date and ends on 18 July 2017, shall be limited to the amount of fees payable in (i) the first Contract Year and (ii) an additional period of 6 months. However, the Servicer's limitation of liability pursuant to the Servicing Agreement shall not apply, *inter alia*, in respect of any liability arising as a result of its fraud or wilful default, regulatory fines, borrower claims arising from breach by a Servicer of the terms of the Servicing Agreement or as to any sum which the Servicer holds or should hold on trust for the Issuer and for which the Servicer fails to account to the Issuer.

Limit to Servicing Consultant's Liability

The aggregate liability of the Servicing Consultant arising out of or in connection with the Transaction Documents, whether arising in contract, tort (including negligence) or otherwise shall be limited to £50,000, excluding any liability in respect of fraud or wilful default or any liability which cannot be excluded or limited by applicable law.

Governing Law

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law (save for any terms particular to the laws of Scotland which shall be construed in accordance with Scots law).

In this Prospectus, the capitalised terms below have the following definitions:

Affiliate means, in relation to any person (i) a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company; or (ii) any other person that controls, is controlled by, or is under common control with such person.

Applicable Regulations means any applicable requirement of UK law or of any Competent Authority, in each case which applies to:

- (a) the Services; or
- (b) the performance of the Services; and
- (c) applies otherwise in connection with the rights or obligations of the Servicer under the Servicing Agreement,

and for these purposes a requirement of a Competent Authority shall include any decision, order, directive or mandate made or issued by or at the direction of any Competent Authority and in the case of the FCA any guidance incorporated into the FCA Handbook.

Competent Authority means:

- (a) in relation to any Note, the Central Bank in its capacity as competent authority under the Prospectus Directive and references to the **relevant Competent Authority** shall, be references to the competent authority relating to the Stock Exchange on which the Notes are from time to time, or will be, listed or admitted to trading; and/or
- (b) any relevant person (whether autonomous or not) having legal and/or regulatory authority and/or enforcement powers in the UK over Landmark and/or the Servicer in relation to the Services; and/or
- (c) any court of law or tribunal in the UK.

Contract Year means each 12 month period ending on 18 July of each year, provided that the first Contract Year will commence on the Closing Date and will end on 18 July 2017;

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

Direct Debiting Scheme means the scheme for the manual or automated debiting of bank accounts operated in accordance with the detailed rules of certain members of the Association for Payment Clearing Services.

Enforcement Procedures means the exercise, in accordance with the procedures described in the Legal Title Holder's Policies, of rights and remedies against a Borrower in respect of such Borrower's obligations arising from any Mortgage in respect of which such Borrower is in default.

Flexible Drawing means, in relation to a Flexible Loan, any further drawing of moneys made by a Borrower under that Flexible Loan which the Borrower is contractually permitted to demand but only to the extent of any previous Overpayment made in respect of such Flexible Loan.

Further Advance means, in relation to a Loan, any advance of further money, other than a Flexible Drawing, following a request from the relevant Borrower and which is secured by the same Property as the Loan where the lender has a discretion as to whether to accept that request, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage.

Good Industry Practice means generally accepted good practices in the residential mortgage outsourcing services industry as applicable to first and second charge mortgages, having regard to factors such as the nature and size of the parties, the levels of service specified in the Servicing Agreement, the pricing structure and any other relevant factors.

Holding Company means, in relation to a person, any other person in respect of which it is a Subsidiary.

Initial Advance means in relation to a Loan, the initial principal amount together with the amount of any retention advanced to the relevant Borrower after completion of the Mortgage, together with any completion fees (to the extent capitalised).

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

Monthly Payment means, in relation to any Loan, the amount in the ordinary course of administration of that Loan due to be paid by the relevant Borrower on each Monthly Payment Date under the Mortgage Conditions, comprising interest and, where applicable, contractual repayments of principal and other sums (as determined in accordance with the terms and conditions of that Loan).

Original Seller's SVR means the standard variable rate set by the Original Seller from time to time (being, as at the Cut-Off Date, 4.64%).

Policy Criteria means the administration, arrears and enforcement policies and procedures which are applied from time to time and the originating, lending and underwriting policies historically applied by the Legal Title Holder to mortgage loans and the security for their repayment which are beneficially owned by the Seller or the Issuer and which may be amended by the Legal Title Holder from time to time, subject to the terms of the Option Agreement and in accordance with the Master Servicer and Legal Title Holder Deed.

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

Ported Loan means a Loan that has been the subject of a Port.

Scottish Declaration of Trust means a Scots law declaration of trust granted by the Legal Title Holder in favour of the Issuer in relation to the Scottish Loans and their Related Security.

Scottish Trust means the trust declared and created pursuant to the Scottish Declaration of Trust.

Scottish Trust Property means the Scottish Loans and Related Security which are the subject of the Scottish Declaration of Trust.

Scottish Trust Security means 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 Scottish Trust) entered into pursuant to the Deed of Charge.

Security means a mortgage, standard security, charge, pledge, lien, assignation in security or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

Service Specification means the service specification which defines the scope of certain of the Services to be provided by the Servicer under the Servicing Agreement and is attached as Schedule 1 (*Service Specification*) to the Servicing Agreement, as the same may be amended from time to time in accordance with the terms of the Servicing Agreement.

Share Purchase Date means (5 May 2016, being) the date on which the purchase of the shares of Landmark by CERH (or its Affiliate) completed.

Standard Variable Rate or **SVR** means the Original Seller's or following a Perfection Trigger Event the Legal Title Holder's standard variable rate from time to time.

Subsidiary means a Subsidiary as defined in section 1159 of the Companies Act 2006.

Three Month Arrears means, as at any date in respect of a Mortgage Loan, all amounts currently due and payable on that Mortgage Loan which remain unpaid on that date, provided that such overdue amounts equal, in aggregate, three or more full Contractual Monthly Payments.

Master Servicer and Legal Title Holder Deed

Introduction

The Issuer, the Security Trustee, the Master Servicer, the Legal Title Holder and the Seller will enter into, on or about the Closing Date, a master servicer and legal title holder deed relating to the Loans and their Related Security (the **Master Servicer and Legal Title Holder Deed**). The master services to be provided by the Master Servicer are set out in the Master Servicer and Legal Title Holder Deed (the **Master Services**).

Appointments

On or about the Closing Date, the Master Servicer and the Legal Title Holder will be appointed by the Issuer.

The Master Services

The Master Servicer is required to carry out the master services in compliance with the terms and condition of the Loans, all Applicable Regulations and in accordance with the standard of a Reasonable Prudent Mortgage Lender.

The Master Services include, but are not limited to:

- (a) exercising the Issuer's rights, powers and discretions in relation to the Loans and Related Security subject to the Issuer's rights under the Servicing Agreement in respect of, amongst other things, matters relating to the performance of services materially different to the agreed services and which result in a significant increase in costs, variations made by Landmark to the interest rate, development and changes to the policies and procedures relating to the servicing of the Portfolio and material or systemic issues with respect to the Portfolio;
- (b) maintaining a full suite of current lender policies, being the Policy Criteria, which shall at all times comply with all Applicable Regulations, ensure that the Complaints Policy shall at all times comply with the FCA's Treating Customer's Fairly requirement, setting the Service Specifications to demonstrate good customer outcomes and manage and incentivise delivery in accordance with the Service Specification and managing borrower complaints escalated if they relate to policy;
- (c) assist the Legal Title Holder in determining the interest rate policy and the level and applicability of fees and charges, determine and set the standard variable interest rate and any other discretionary rates or margins applicable to the Loans, agree or providing oversight for exceptions to contract variations, manage and maintain tariff(s) of charges, and in certain circumstances, determine whether the conditions under the terms and conditions of the Loan for a further advance or flexible drawing or port, as the case may be, have been satisfied by the relevant customer and notify the Issuer and the Security Trustee, or procure that the Issuer and the Security Trustee is notified, of the details of the further advance or flexible drawing or port, as the case may be, as soon as practicable and in any event 10 Business Days;
- (d) monitoring the performance of the Servicer's appointment, assess and manage potential remediation programmes and notify the Issuer and Security Trustee of the outcomes of any regulatory review and gap analysis of the Portfolio;
- (e) managing referrals on specific accounts, manage remediation activity subject to the provisions of the Option Agreement and oversee the management of customers in financial difficulties;
- (f) implementing a "3 lines of defence" model to ensure robust risk management and compliance, independently quality assure all key aspects of the Servicer's service, monitoring the Servicer's Service Specification, providing, where required, reasonable and prompt assistance to the Servicer and providing any direction or any consultation that may be reasonably required by the Servicer, reviewing the servicing reports provided pursuant to the Servicing Agreement produced by the Servicer and notifying the Issuer of any manifest errors in the relevant reports and auditing the Servicer in accordance with the provisions of the Servicing Agreement;
- (g) managing conduct risk and operational risk matters, including financial crime, anti-money laundering and treating customers fairly, interpret regulatory requirements and responding to such requirements and changes in Applicable Regulations and producing regulatory reporting and responding to any regulatory queries or action from the Competent Authority;
- (h) maintaining and keeping in force all approvals, authorisations, permissions, consents and licences required for the purposes of performing the services and preparing and submitting all necessary applications and requests for any further approvals, authorisations, permissions, registrations, consents and licences required;

- (i) ensuring sufficient and appropriate resources to fulfil the Master Servicer obligations under the relevant Transaction Documents, including office space, facilities, equipment and staff; and
- (j) acting or procuring that a third party approved by the Issuer act as collection agent for the Issuer and shall transfer cleared funds on each Business Day from the Collection Account to the bank account designated by the Issuer, in accordance with the provisions of the Master Servicer and Legal Title Holder Deed.

Setting of Interest Rates on the Loans

From and including the Closing Date, subject to the terms of the Master Servicer and Legal Title Holder Deed the Issuer grants Landmark full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions, to determine and set in relation to the Loans, the SVR and any other discretionary rates or margins applicable in relation to the Loans, provided that such SVR will not be set at a rate which is lower than the minimum of: (i) for a period of 12 months from the Share Purchase Date, a rate which is set by reference to the Bank of England Base Rate as advised by Landmark; and (ii) thereafter, at the higher of, (X) the Standard Variable Rate set in accordance with (i) above and (Y) three month LIBOR plus 2.40 per cent. (the **SVR Floor**) provided that the Legal Title Holder shall only be under an obligation to set the Standard Variable Rate in accordance with the provisions of the Master Servicer and Legal Title Holder Deed if it would not result in a breach of the applicable Mortgage Conditions and would not be contrary to a Requirement of Law (including without limitation, applicable guidelines of the Office of Fair Trading and applicable statements of good practice of the FCA) and may be undertaken in accordance with the standards of a Reasonable Prudent Mortgage Lender.

Pursuant to the terms of the Option Agreement, the Seller and any assignee of the Seller (including the Issuer pursuant to the Deed of Covenant) are subject to certain restrictions in relation to the Loans, including that for a period of 12 months from the Share Purchase Date, SVR shall only be moved in line with Bank of England Base Rate changes and the Servicer undertakes to observe such restrictions in the Servicing Agreement.

The Issuer shall be bound by the SVR and any other discretionary rate set by the Legal Title Holder in relation to any Loans in accordance with the Master Servicer and Legal Title Holder Deed (and, in respect of the Issuer, on and following the transfer of legal title to the Loans, the Loan Management Deed).

Upon receipt of an Interest Rate Change Notice, the Servicer will, as soon as reasonably practicable, notify the relevant Borrowers of any change to their Contractual Monthly Payment.

Title to the Mortgages, Registration and Notifications

Legal title in and to the Loans and their Related Security which comprise the Portfolio will remain with the Legal Title Holder. Completion of the transfer, or, in the case of Scottish Loans and their Related Security, assignation, of the legal title in and to the Loans and their Related Security (and, where appropriate, their registration or recording) to the new legal title holder is deferred until the occurrence of a Perfection Trigger Event, at which point notice will also be given to the Borrowers of such transfer.

Pursuant to the Master Servicer and Legal Title Holder Deed, the Legal Title Holder agrees to hold the legal title and any other right, title, interest and benefit held by it with respect to the Loans and the Related Security from time to time, on bare trust for and on behalf of the Issuer in accordance with the terms of the Master Servicer and Legal Title Holder Deed (with the exception of the Scottish Loans and the Related Security, which will be held on trust by the Legal Title Holder for the Issuer pursuant

to the Scottish Declaration of Trust), on and with effect from the time at which the beneficial title to each such Loan and its Related Security is transferred to the Issuer in accordance with the Mortgage Sale Agreement until the time at which each such Loan and its Related Security is transferred to the Issuer or any other transferee in accordance with terms of the Master Servicer and Legal Title Holder Deed.

In addition, the Legal Title Holder further undertakes:

- (a) to transfer its beneficial right, title and interest (both present and future) in and to the Scottish Loans and their Related Security to the Issuer on the Closing Date;
- (b) to enter into the Scottish Declaration of Trust respect of the Scottish Loans and their Related Security; and
- (c) to enter into the Scottish Trust Security in order to acknowledge the assignment in security by the Issuer of its right, title and interest in and to the Scottish Trust Property and the Scottish Declaration of Trust in favour of the Security Trustee (pursuant to the Deed of Charge).

The Issuer (or, following the delivery of a Note Acceleration Notice, the Security Trustee) may (or in the case of (v) below, shall) by notice in writing (a **Perfection Notice**) to the Legal Title Holder (with a copy to the Seller and the Security Trustee) require the Legal Title Holder to complete the transfer by way of the assignment or assignation to a new legal title holder of the legal title to the Loans and their Related Security as soon as reasonably practicable, following the occurrence of any of the following events (each a **Perfection Trigger Event**) where:

- (i) a Note Acceleration Notice has been delivered by the Security Trustee following the occurrence of an Event of Default which is continuing;
- (ii) the Legal Title Holder is required to perfect the Issuer's legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Legal Title Holder or by any organisation of which the Legal Title Holder is a member;
- (iii) it becomes necessary by law or regulation to do any or all of the acts referred to in paragraph (ii) above;
- (iv) the security created under or pursuant to the Deed of Charge or any material part of that security is, in the opinion of the Security Trustee, in danger of being seized or sold under any form of distress, diligence, attachment, execution or other legal process or otherwise in jeopardy and the Security Trustee is being required by the Note Trustee (on behalf of the Noteholders) so long as the Notes are outstanding or the other Secured Creditors if no Notes are then outstanding to take action to reduce that jeopardy;
- (v) any of the following events occur:
 - (A) the Issuer serves a notice to terminate the Servicing Agreement in accordance with the Servicing Agreement and Landmark notifies the Issuer in writing that it does not intend to terminate the Landmark Long Term Servicing Agreement;
 - (B) Landmark serves a notice to terminate the Landmark Long Term Servicing Agreement without cause of the servicer in accordance with the Landmark Long Term Servicing Agreement and the Issuer notifies Landmark in writing that it does not intend to terminate the Servicing Agreement;

- (C) Landmark serves a notice to terminate the Landmark Long Term Servicing Agreement for cause of the servicer in accordance with the Landmark Long Term Servicing Agreement and the Issuer notifies Landmark in writing that it does not intend to terminate the Servicing Agreement;
 - (D) the Servicer serves a notice to terminate the Servicing Agreement without cause of the Issuer in accordance with the Servicing Agreement and Landmark notifies the Issuer in writing that it does not intend to terminate the Landmark Long Term Servicing Agreement;
 - (E) the Servicer serves a notice to terminate the Servicing Agreement for cause of the Issuer in accordance with the Servicing Agreement and Landmark notifies the Issuer in writing that it does not intend to terminate the Landmark Long Term Servicing Agreement;
 - (F) Landmark's Servicer serves a notice to terminate the Landmark Long Term Servicing Agreement without cause of Landmark in accordance with the Landmark Long Term Servicing Agreement and the Issuer notifies Landmark in writing that it does not intend to terminate the Servicing Agreement; or
 - (G) Landmark's Servicer serves a notice to terminate the Landmark Long Term Servicing Agreement for cause of Landmark in accordance with the Landmark Long Term Servicing Agreement and the Issuer notifies Landmark in writing that it does not intend to terminate the Servicing Agreement; or
 - (H) the Issuer serves or receives a termination notice with respect to CMS under the Servicing Agreement and Landmark does not agree to enter into a replacement servicing agreement with the Back-Up Servicer;
- (vi) the occurrence of an Additional Perfection Trigger Event or an Additional Master Servicer Termination Event as set out in the Loan Management Deed; or
 - (vii) there is an Insolvency Event in relation to the Legal Title Holder or any other entity in which legal title to any Mortgage Loan is vested.

An **Additional Master Servicer Termination Event** applies to the Together Loans only and means that

- (i) a Master Servicer Termination Event has occurred under any Relevant Servicing Agreement;
- (ii) the appointment of the Master Servicer under any Relevant Servicing Agreement has been terminated; or
- (iii) the Master Servicer has resigned or been replaced under any Relevant Servicing Agreement.

An **Additional Perfection Trigger Event** applies to the Together Loans only and means that a perfection notice is served by a beneficial title holder in respect of any Together Loans.

Landmark may at any time, by no less than 3 months' written notice delivered to the Issuer (with a copy to the Seller, the Servicing Consultant and the Security Trustee, as applicable, and each party to the Loan Management Deed), terminate its appointment as Legal Title Holder and require the Issuer to complete the transfer by way of assignment or assignation to the Issuer or its nominee of the legal title to the Loans and their Related Security as soon as reasonably possible; provided, however that if Landmark terminates its appointment as Legal Title Holder under the MS<H Deed and BAWAG

owns Together Loans, which are connected to the Loans, Landmark must simultaneously terminate its appointment as legal title holder under the BAWAG MS<H Deed.

If a Perfection Notice is served where Landmark delivers 3 months' written notice to the Issuer terminating its appointment as Legal Title Holder, or, in accordance with paragraphs (v)(A) (where termination is due to cause of the Servicer), (v)(B), (D), (G) and (H) above, then Landmark shall indemnify the Issuer on demand for any costs and expenses properly incurred in respect of the transfer to the Issuer or its nominee of the legal title to the Loans and their Related Security (but excluding, for the avoidance of any doubt, any other costs arising other than those directly associated with the transfer of legal title including (but without limitation) any costs of servicer migration).

If a Perfection Notice is served in accordance with paragraphs (v)(A) (where termination is not due to cause of the Servicer), (C), (E) and (F) above, then the Issuer shall indemnify Landmark on demand for any costs and expenses properly incurred in respect of the transfer from Landmark to the Issuer or its nominee of the legal title to the Loans and their Related Security (but excluding, for the avoidance of any doubt, any other costs arising other than those directly associated with the transfer of legal title including (but without limitation) any costs of servicer migration).

The Legal Title Holder shall, as soon as reasonably practicable following the delivery of a Perfection Notice, do such acts, matters and things as the Issuer reasonably requires the Legal Title Holder to do in order to give effect to the terms of the assignments, assignations and transfer of legal title contemplated in the Master Servicer and Legal Title Holder Deed and the Mortgage Sale Agreement, including:

- (a) executing or procuring the execution of the transfers and performing the other obligations specified in the Master Servicer and Legal Title Holder Deed;
- (b) providing a bulk transfer of Direct Debit mandates, to the extent this is possible under the Direct Debiting Scheme or any replacement direct debiting scheme;
- (c) in the case of all Borrowers who do not make payment by Direct Debit, ensuring that such Borrowers are instructed to make all payments under the Loans directly to the Collection Account or the Transaction Account or such replacement account as the Issuer (with the prior written consent of the Security Trustee) requires;
- (d) promptly upon request by the Issuer, procuring that any notices which the Issuer may require the Legal Title Holder to give pursuant to the Master Servicer and Legal Title Holder Deed are so given by the Legal Title Holder; and
- (e) giving to the Issuer notice of the completion of registration or recording of the transfer of all the Mortgages and other acts required to perfect the transfer of the legal title in and to relevant Loans and their Related Security to the Issuer.

An **Insolvency Event** in relation to an entity means that the entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, assignation, trust, arrangement scheme or composition with or for the benefit of its creditors;

- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up, examinership or liquidation by it or such regulator, supervisor or similar official;
- (e) has instituted against it a proceeding seeking a judgment of insolvency, examinership or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up, examinership or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:
 - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or
 - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has exercised in respect of it one or more of the stabilisation powers pursuant to Part 1 of the Banking Act 2009 and/or has instituted against it a bank insolvency proceeding pursuant to Part 2 of the Banking Act 2009 or a bank administration proceeding pursuant to Part 3 of the Banking Act 2009;
- (g) has a resolution passed for its winding-up, official management, examinership or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (h) seeks or becomes subject to the appointment of an administrator, provisional liquidator, examiner, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (i) has a secured party take possession of all or substantially all its assets or has a distress, execution, diligence, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;
- (j) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (i) above; or
- (k) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;
- (l) is unable to pay its debt when due (*zahlungsunfähig*) within the meaning of section 66 Austrian Insolvency Act (*Insolvenzordnung*) or over-indebted (*überschuldet*) within the meaning of section 67 Austrian Insolvency Act (*Insolvenzordnung*); or
- (m) fails or is likely to fail (*ausfällt oder wahrscheinlich ausfällt*) within the meaning of section 51 BaSAG.

Voluntary Resignation

The appointment of the Legal Title Holder under the Master Servicer and Legal Title Holder Deed may be terminated by the Legal Title Holder at any time by no less than 3 months' written notice delivered to the Issuer. The termination of the Legal Title Holder shall not be effective until a new Legal Title Holder is appointed and the legal title has been duly transferred.

Proposed Changes to Services or Servicing Specification

If Landmark or the Servicer requests an amendment or modification to the Service Specification, Service Levels, Service Credits, mandates or governance and management information, as set out in the Servicing Agreement (a **Change**) and (i) the change is a change to the Service Specification, then Landmark shall be required to consult with the Servicing Consultant (acting on behalf of the Issuer) in respect of the relevant change for at least 15 Business Days (unless a shorter timeline is required to comply with Applicable Regulations); and (ii) where such change is not being made to comply with Applicable Regulations or as a Reasonable Prudent Mortgage Lender and is, or is likely to be, materially prejudicial (in the opinion of the Servicing Consultant) to the Issuer (including as a result of a material increase in costs and expenses payable by the Issuer as a result of such change and provided that even where acting as a Reasonable Prudent Mortgage Lender, if such change result in a material increase in costs, Issuer consent is required), then the proposed Change Notice shall require the prior written consent of the Issuer.

Proposed Changes to Policy Criteria

The Master Servicer may not make any material changes to the Policy Criteria without prior written consent of the Issuer (save only for changes to the Policy Criteria in order to comply with any Requirement of Law or as a Reasonable Prudent Mortgage Lender), and the Master Servicer shall provide the Issuer with a copy of any proposed changes to the Policy Criteria.

The Master Servicer shall provide notice in writing to the Issuer (or the Servicing Consultant acting on behalf of the Issuer) in relation to any proposed changes to the Policy Criteria.

Any Changes to the Services, Service Specification or Policy Criteria shall, for so long as Landmark is the legal title holder of the Loans, only be effective to the extent such changes are also effective under the Landmark Long Term Servicing Agreement and the BAWAG Servicing Agreement.

Compensation of the Master Servicer and Legal Title Holder

The Issuer will pay the Master Servicer a monthly fee (the **Master Servicer Fee**) for its services under the Master Servicer and Legal Title Holder Deed which shall be in an amount equal to the product of the Portfolio Balance as at close of business on the last Business Day of the immediately preceding month multiplied by 0.015% and divided by 12.

The Issuer will pay the Legal Title Holder a monthly fee (the **Legal Title Holder Fee**) for its services under the Master Servicer and Legal Title Holder Deed which shall be in an amount equal to the product of the Portfolio Balance as at close of business on the last Business Day of the immediately preceding month multiplied by 0.03% and divided by 12.

The Master Servicer Fee and the Legal Title Holder Fee (as applicable) is payable by the Issuer to Landmark's account in arrear on each Interest Payment Date or, in respect of the Post-Acceleration Priority of Payments on any day which amounts are so applied, in accordance with the Pre-Acceleration Revenue Priority of Payments, or as the case may be, the Post-Acceleration Priority of Payments.

All fees payable to the Master Servicer and the Legal Title Holder are exclusive of VAT.

Removal or Resignation of the Master Servicer

If any of the following events (each, a **Master Servicer Termination Event**) shall occur:

- (i) default is made by the Master Servicer in the performance or observance of any of its obligations under the Master Servicer and Legal Title Holder Deed or the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after receipt by the Master Servicer of written notice from the Issuer or (following service of a Note Acceleration Notice) the Security Trustee, as appropriate, requiring the same to be remedied;
- (ii) the occurrence of an Insolvency Event in respect of the Master Servicer;
- (iii) the Master Servicer ceasing to be an authorised person under FSMA or failure by the Master Servicer to obtain or maintain the necessary licences, registrations or regulatory approvals enabling it to continue to service the Loans;
- (iv) a Perfection Notice is served on the Legal Title Holder;
- (v) the expiry of not less than 6 months' written notice of termination given by the Issuer or (following service of a Note Acceleration Notice) the Security Trustee, as appropriate, to the Master Servicer (or such shorter time as may be agreed in writing between the Master Servicer, the Issuer or (following service of a Note Acceleration Notice) the Security Trustee, as appropriate); or
- (vi) the occurrence of an Additional Master Servicer Termination Event or Additional Perfection Trigger Event as set out in the Loan Management Deed,

then the Issuer (with the prior written consent of the Security Trustee) (prior to the delivery of a Note Acceleration Notice) or (after delivery of a Note Acceleration Notice) the Security Trustee may at once or at any time thereafter while such event continues (if applicable) by notice in writing to the Master Servicer as to a Master Servicer Termination Event (with a copy to the Security Trustee or the Issuer, as the case may require) terminate its appointment as Master Servicer under the Master Servicer and Legal Title Holder Deed with effect from the date (not earlier than the date of the notice) specified in the notice. Upon and following the termination of the appointment of the Master Servicer as master servicer under Master Servicer and Legal Title Holder Deed, the Issuer shall use its reasonable endeavours to appoint a successor master servicer (the **Successor Master Servicer**) provided that the termination of the Master Servicer's appointment as Master Servicer shall not be effective unless the Issuer has appointed a successor master servicer which satisfies the conditions set out in the Master Servicer and Legal Title Holder Deed.

Voluntary Resignation

The appointment of the Master Servicer under the Master Servicer and Legal Title Holder Deed may be terminated by the Master Servicer at any time by no less than 6 months' written notice delivered to the Issuer. The termination of the Master Servicer shall not be effective until a new Master Servicer is appointed.

Limit to Liability of Master Servicer and/or Legal Title Holder

The liability of each of the Master Servicer and the Legal Title Holder in contract, tort (including negligence) or otherwise in respect of the Transaction Documents shall be limited for each Contract Year to fees payable by the Issuer in twelve (12) months or in respect of any losses relating to

regulatory fines or which are caused by a breach by a party of the Transaction Documents to which they are a party, twenty four (24) months (in aggregate), in each case, assuming full performance of each of the legal title holding and the master services during this period.

However, the limitation of the liability of each of the Master Servicer and the Legal Title Holder pursuant to the Master Servicing and Legal Title Holder Deed shall not apply, *inter alia*, in respect of any liability arising as a result of the gross negligence, wilful default or fraud of the Master Servicer and/or Legal Title Holder or their employees, service providers or directors or for claims relating to a failure by the Legal Title Holder and/or Master Servicer to pay over monies received from Borrowers or in connection with the Loans and/or Portfolio.

Governing Law

The Master Servicer and Legal Title Holder Deed and any non-contractual obligations arising out of or in connection with it will be governed by English law (save for any terms particular to the laws of Scotland which shall be construed in accordance with Scots law).

In this Prospectus, the capitalised terms below have the following definitions:

Austrian Insolvency Act means the Austrian Act on the Conduct of Insolvency Proceedings (*Insolvenzordnung* - IO), Official Gazette no. 337/1914, as amended from time to time.

Complaints Policy means Landmark's policy for dealing with complaints.

Interest Rate means the rate of interest determined by Landmark and notified to the Servicer, the Servicing Consultant, the Issuer and the Security Trustee in writing from time to time in respect of any Loan.

Interest Rate Change Notice means written notice given by the Master Servicer to the Servicer, the Servicing Consultant and the Security Trustee as soon as reasonably practicable of any change in Interest Rate.

Landmark Long Term Servicing Agreement means the long term servicing agreement between Landmark and CMS.

Portfolio Balance means the aggregate current balance of all completed Loans (including all Shortfall Accounts) where such accounts are held on the System and where no instructions have been received from Landmark to write-off the balance in relation to any such account), net of the balance of the direct debit suspense account at each month end.

Requirement of Law means in respect of any person shall mean:

- (a) any law, treaty, rule, requirement or regulation;
- (b) a notice by or an order of any court having jurisdiction;
- (c) a mandatory requirement of any regulatory authority having jurisdiction; or
- (d) a determination of an arbitrator or Authority,

in each case applicable to or binding upon that person or to which that person is subject or with which it is customary for it to comply.

Service Credit means the amount payable by the Servicer in respect of a failure by the Servicer to achieve a specified service level in accordance with the terms of the Servicing Agreement.

Service Level means the standard of performance to be achieved in the provision of the Services in accordance with the terms of the Servicing Agreement.

Shortfall Accounts means an account operated by the Servicer containing details relating to transactions occurring in respect of a Borrower's Shortfall Loan including charges and payments of interest, arrears and client fees.

Shortfall Loan means a Loan in respect of which the Mortgage is redeemed in circumstances where following the discharge of the Mortgage there remains an undischarged balance on the amount advanced under the Loan whether in respect of principal, interest or other amounts.

System means the Servicer's core system and such other systems as are used by the Servicer to provide the Services.

Back-Up Servicing Agreement

On or prior to the Closing Date, the Issuer will enter into a back-up servicing agreement with, *inter alia*, the Back-Up Servicer and the Security Trustee (the **Back-Up Servicing Agreement**) pursuant to which it:

- (a) accepts the appointment as replacement servicer;
- (b) agrees to execute a replacement servicing agreement (the **Replacement Servicing Agreement**) if requested to do so by the Issuer or the Security Trustee;
- (c) agrees to assume and perform, and/or procure that one or more of its affiliates will assume and perform, all duties, liabilities and obligations of the replacement servicer under the Replacement Servicing Agreement and on the terms of the Replacement Servicing Agreement; and
- (d) agrees to undertake the servicing services within 90 calendar days date of receipt of written notice from the Issuer that the Servicer's appointment has been terminated under the terms of the Servicing Agreement (the **Back-Up Servicer Succession Date**).

The Issuer shall pay the Back-Up Servicer a back-up servicing fee (the **Back-Up Servicing Fee**) as follows:

- (a) in consideration of the Back-Up Servicer entering into the Back-Up Servicing Agreement, a project fee;
- (b) in respect of the period beginning on the date of this Back-Up Servicing Agreement and ending on the day before the Back-Up Servicer Succession Date, an annual back-up servicing fee; and
- (c) from the Back-Up Servicer Succession Date, an invocation fee, a percentage fee, an arrears management fee and a mortgage redemption fee,

in each case exclusive of any VAT chargeable on any supply or supplies for which the Back-Up Servicing Fee is the consideration (in whole or in part) for VAT purposes.

The aggregate liability of the Back-Up Servicer under the Back-Up Servicing Agreement arising out of or in connection with the Back-Up Servicing Agreement or the other Transaction Documents when acting as Back-Up Servicer shall not exceed £750,000 save that such limitation shall not apply in the case of the fraud, wilful default or gross negligence of the Back-Up Servicer.

Governing Law

The Back-Up Servicing Agreement and any non-contractual obligations arising out of or in respect of it will be governed by English law.

Loan Management Deed

General

On or prior to the Closing Date, the Issuer, the Seller, the Servicing Consultant, the Security Trustee and the Legal Title Holder will enter into a loan management deed governing shared perfection and servicer/master servicer termination triggers (the **Loan Management Deed**). The Loan Management Deed will provide that, amongst other things, upon the occurrence of a legal title perfection event, a master servicer termination event or a servicer termination event with respect to the Together Loans, the Issuer will be obliged to perfect legal title or affect a change in Master Servicer or Servicer (as applicable) in accordance with the terms of the Loan Management Deed.

SVR setting on and following perfection of the Loans and their Related Security

On and following the transfer of legal title, master servicing and/or servicing in accordance with the terms of the Relevant Servicing Agreement, each of the Seller and the Issuer undertakes that it shall procure that:

- (a) the same entity shall be appointed as a replacement legal title holder, master servicer and/or servicer (as applicable) by each of the Issuer and the Seller in their capacity as beneficial title holders (the **Beneficial Title Holders**) in respect of each of the Together Loans and the Unsecured Personal Loans in accordance with the terms of the Loan Management Deed;
- (b) the Loans will continue to be serviced in accordance with their terms;
- (c) any Together Loans will continue to be serviced in a linked manner so as to enable a Borrower to make a single Contractual Monthly Payment in respect of the Together Loans and to appropriate shortfalls between such Together Loans; and
- (d) the Standard Variable Rate will be set quarterly on any Interest Determination Date at a rate that is, not lower than the minimum of (i) for a period of 12 months from the Share Purchase Date, set by reference to the Bank of England Base Rate and (ii) thereafter, the higher of (I) 2.40% plus the higher of (A) one-month Sterling LIBOR and (B) three-month Sterling LIBOR and (II) the Standard Variable Rate as at the Business Day immediately prior to Perfection plus any BBR change, provided that setting the Standard Variable Rate in accordance with this paragraph (d) would not breach the applicable Mortgage Conditions and would not be contrary to a Requirement of Law (including without limitation, applicable guidelines of the Office for Fair Trading and applicable statements of good practice of the Financial Conduct Authority) and may be undertaken in accordance with the standards of a Reasonable Prudent Mortgage Lender.

Appointment of a Replacement

Upon the occurrence of Perfection Trigger Event, a Master Servicer Termination Event or a Servicer Termination Event under any Relevant Servicing Agreement (as the case may be), the Relevant Entity (which, prior to an Insolvency Event, will be BAWAG P.S.K. and, following an Insolvency Event, will be the relevant Beneficial Title Holder (including the Issuer)) shall, within ten Business Days of becoming aware of the occurrence of (i) a Perfection Trigger Event, (ii) a Master Servicer Termination Event or (iii) a Servicer Termination Event,

- (a) liaise with Landmark to determine the best strategy for the legal title, master servicing and or servicing arrangements with respect to the Loans and related Unsecured Personal Loans going forward;
- (b) in respect of a Perfection Trigger Event or a Master Servicer Termination Event, unless the Relevant Entity has agreed that the Back-Up Servicer will assume the role of servicer, legal title holder and master servicer with respect to the Loans and related Unsecured Personal Loans, request that at least two proposed replacements provide heads of terms for acting as replacement legal title holder, master servicer and/or servicer (as applicable) as soon as reasonably practicable, or in respect of a Servicer Termination Event, unless the Relevant Entity has agreed that the Back-Up Servicer will assume the role of servicer with respect to the Loans and related Unsecured Personal Loans, request that at least two proposed replacements provide heads of terms for acting as replacement servicer and to provide such heads of terms to each Beneficial Title Holder as soon as reasonably practicable.

Based on such information, the Relevant Entity shall formulate a combination of proposals and obtain a Rating Agency Confirmation in respect of each such proposal (including in the context of the Issuer and the Notes). If (a) either (i) a Rating Agency indicates that it doesn't consider the confirmation or response necessary in the circumstances or it does not as a matter of practice or policy provide Rating Agency Confirmations or responses, or (ii) within 30 days of request, no Rating Agency Confirmation or response is received and no statement is made that it could not be given, and (b) one Rating Agency provides a Rating Agency Confirmation or response based on the same facts, and two directors of the issuer provide a certificate that the events in (a) and (b) have occurred, then there shall be no requirement to get a Rating Agency Confirmation or response from the non-responsive agency. If following consultation with the Rating Agencies a proposal does not obtain a Rating Agency Confirmation such proposed Replacement shall not be permitted.

Whilst BAWAG is the Relevant Entity, BAWAG will determine which proposal for which a Rating Agency Confirmation has been obtained for the replacement servicer or Master Servicer and/or Legal Title Holder as applicable shall be implemented.

Following BAWAG ceasing to be the Relevant Entity, the Relevant Entity shall request that each beneficial title holder of the Loans and related Unsecured Personal Loans (or with respect to the Issuer, the Note Trustee) confirms its preferred proposal for which a Rating Agency Confirmation has been obtained for the replacement servicer, Master Servicer and/or Legal Title Holder, as applicable. In the event that more than one proposal has obtained a Rating Agency Confirmation, the Relevant Entity shall accept the instructions of the beneficial title holder of the Loans and related Unsecured Personal Loans based on a **Majority Vote**, which means a majority of votes of the beneficial title holders of the Loans and related Unsecured Personal Loans, determined on the basis that the votes for each beneficial title holder shall be the current balance of outstanding Loans and/or Unsecured Personal Loans owned by that related beneficial title holder. Each Beneficial Title Holder undertakes that they shall appoint a replacement servicer, Master Servicer and/or Legal Title Holder in accordance with the terms of the Relevant Servicing Agreement and the Loan Management Deed. However, the Issuer will not appoint such replacement servicer (other than the Back-Up Servicer),

Master Servicer and/or Legal Title Holder (as applicable) unless a Rating Agency Confirmation has been obtained.

In this Prospectus, the capitalised terms below have the following definitions:

Additional Beneficial Title Holder means any entity designated as an "Additional Beneficial Title Holder" that accedes to the Loan Management Deed pursuant to the provisions in the Loan Management Deed.

Additional Perfection Trigger Event means a Perfection Notice is served by a Beneficial Title Holder or Beneficial Title Holder Trustee on Landmark.

BAWAG MS<H Deed means the master servicer and legal title holder deed dated 18 July 2016 between BAWAG, Landmark and Computershare.

BAWAG Servicing Agreement means the servicing agreement dated 18 July 2016 between BAWAG, Landmark and Computershare.

BAWAG Servicing Documents means together the BAWAG Servicing Agreement and the BAWAG MS<H Deed.

Beneficial Title Holder Trustee means the Security Trustee or any entity designated an "Additional Beneficial Title Holder Trustee" that accedes to the Loan Management Deed pursuant to the provisions in the Loan Management Deed.

Deed of Accession means an accession undertaking in substantially the form set out in the Loan Management Deed.

Relevant Entity means (i) prior to an Insolvency Event with respect to BAWAG P.S.K., BAWAG P.S.K. or (ii) following an Insolvency Event with respect to BAWAG P.S.K., the Beneficial Title Holder that calls for perfection or in respect of which the initial Master Servicer Termination Event or initial Servicer Termination Event occurs.

Replacement for the purposes of the Loan Management Deed means a replacement legal title holder, master servicer and/or servicer (as applicable) appointed by each of the Beneficial Title Holders pursuant to the terms of the Loan Management Deed.

Relevant Servicing Agreement means each of:

- (a) in relation to the Issuer, the Servicing Agreement and the Master Servicer and Legal Title Holder Deed;
- (b) in relation to BAWAG, the BAWAG Servicing Documents, and
- (c) in relation to any Additional Beneficial Title Holder, the "Relevant Servicing Agreement" as defined in the relevant Deed of Accession.

The Collection Account Declaration of Trust

Landmark has pursuant to a declaration of trust dated 13 November 2015 (the **Collection Account Declaration of Trust**) declared a trust over all of its right, title and beneficial interest in respect of the account held in the name of Landmark (or any additional or replacement account as may for the time being be in place) (each a **Collection Account**) held with National Westminster Bank PLC (the **Collection Account Trust Property**) in favour of (1) itself, (2) certain historic purchasers of equitable

title in Loans from the Original Seller and (3) certain other additional beneficiaries that may accede to the terms of the Collection Account Declaration of Trust, in the manner and in the proportions specified in the Collection Account Declaration of Trust (the **Collection Account Trust**). The Issuer will accede to the Collection Account Declaration of Trust as a beneficiary of the Collection Account Trust by executing an accession undertaking (the **Accession Undertaking to the Collection Account Declaration of Trust**).

The Issuer's share of the Collection Account Trust at any relevant time (the **Issuer Trust Share**) shall equal all amounts credited to the Collection Account at such time in respect of the Loans and their Related Security comprised in the Portfolio taking into account any amounts previously paid to the Seller in respect of the Loans and their Related Security.

Additional beneficiaries may from time to time on and from the Closing Date accede to the Collection Account Declaration of Trust without the consent of the Issuer or the Security Trustee; however, any such accession will not affect the manner in which the Issuer Trust Share is calculated.

Governing Law

The Collection Account Declaration of Trust and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Deed of Charge

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alios*, the Security Trustee.

Security

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

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (other than the Trust Deed, the Deed of Charge, the Scottish Declaration of Trust, the Scottish Trust Security and any Scottish Sub-Security);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the English Loans and 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 any insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignment in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Legal Title Holder over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust) (the **Scottish Trust Security**);

- (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 and any other account (including any securities accounts) in which it has an interest and any sums or securities 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 or the Cash Manager on its behalf; and
- (g) an assignment by way of first fixed security (and, to the extent not assigned, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit in the Collection Account Trust Property (created pursuant to the Collection Account Declaration of Trust);
- (h) an assignment by way of first fixed security (and, to the extent not assigned, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit in each and every trust under the Master Servicer and Legal Title Holder Deed (other than the Scottish Trust); and
- (i) a floating charge over all assets of the Issuer not otherwise subject to the charges referred to above or otherwise effectively assigned by way of security (other than paragraph (d) above), including over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not such assets are the subject of the charges referred to above).

Authorised Investments means:

- (a) Sterling gilt-edged securities; 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 such that there is no withholding or deduction for or on account of taxes applicable thereto and such investments (i) have a maturity date of 90 days or less and mature before the next following 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 F1+ by Fitch and P-1 by Moody's (and AA- (long-term) by Fitch and Aa3 by Moody's if the investments have a long-term rating).

Transaction Documents means the Accession Undertaking to the Collection Account Declaration of Trust, the Agency Agreement, the Bank Account Agreement, the Back-Up Servicing 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 Deed of Covenant, the Loan Management Deed, the Master Definitions and Construction Schedule, the Master Servicer and Legal Title Holder Deed, the Mortgage Sale Agreement, power of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge (the **Issuer Power of Attorney**), the power of attorney granted by the Legal Title Holder in favour of the Issuer and the Security Trustee on the Closing Date (the **Legal Title Holder Power of Attorney**), the Scottish Declaration of Trust, the power of attorney granted by the Seller in favour of the Issuer and the Security Trustee (the **Seller Power of Attorney**), the Servicing Agreement, each Scottish Sub-Security, each Scottish Transfer, the Scottish Trust Security, the power of attorney granted by the Issuer and the Legal Title Holder in favour of the Servicer (the **Servicer Power of Attorney**), the share trust deed dated 16 August 2016 (the **Share Trust Deed**), the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

Secured Creditors means the Security Trustee, the Note Trustee, the Noteholders, the Seller, the Servicer, the Master Servicer, the Servicing Consultant, the Back-Up Servicer Facilitator, the Cash Manager, the Account Bank, the Corporate Services Provider, the Paying Agents, the Class Z VFN Registrar, the Agent Bank, the Registrar, the Collection Account Bank, the Legal Title Holder, the Back-Up Servicer and any other person who is expressed in the Deed of Charge or 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. Crystallisation will occur automatically following the occurrence of specific events set out in the Deed of Charge, including, among other events, when an Event of Default occurs except in relation to the Issuer's assets located or otherwise subject to the laws of Scotland, where crystallisation will occur on the appointment of an administrative receiver or receiver or upon 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.

If legal title to any of the Scottish Loans and their Related Security is transferred to the Issuer, then the Issuer also undertakes to execute and deliver to the Security Trustee, as continuing security for the payment or discharge of the Secured Obligations, a standard security or standard securities over the Issuer's whole right, title and interest as heritable creditor under the Scottish Loans and their Related Security (each a **Scottish Sub-Security**).

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

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Transaction Account as described in "*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.

Post-Acceleration Priority of Payments

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows – Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes 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 the Cash Manager certifies to the Security Trustee that a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority of payment below) or, once all of the Class A Noteholders have been repaid in full, to the Class Z VFN Holder (and all persons ranking in priority thereto) which certificate shall be binding on the Secured Creditors or the Security Trustee is of the opinion that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and (and all persons

ranking in priority to the Class A Noteholders as set out in the order of priority below) or, once all of the Class A Noteholders have been repaid, in full, to the Class Z VFN Holder (and all persons ranking in priority thereto), 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 aspects relating to Scottish Loans and their Related Security (including the Scottish Trust Security entered into pursuant thereto) will be governed by Scots law.

Trust Deed

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions in the Trust Deed. The Conditions and the forms of the Notes are constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes 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 upon giving not less than 60 days' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The Class A Noteholders may, by Extraordinary Resolution, remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement of the Note Trustee shall not become effective unless there remains a trustee (being a trust corporation) in office after such retirement or being removed by Extraordinary Resolution of the Class A Noteholders. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement or Extraordinary Resolution of the Class A Noteholders, the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed but no such appointment shall take effect unless previously approved by Extraordinary Resolution of the Class A Noteholders.

Governing Law

The Trust Deed will be governed by English law.

Agency Agreement

On or prior to the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank, the Class Z VFN Registrar, the Security Trustee and the Registrar will enter into an agency agreement (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 the Closing Date, the Cash Manager, the Issuer, and the Security Trustee will enter into a cash management agreement (the **Cash Management Agreement**).

Cash Management Services to be Provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Transaction Account, as the case may be. In addition, the Cash Manager will:

- (a) provide the Issuer, the Security Trustee, the Seller, the Class A Noteholders and the Rating Agencies with the Investor Report setting out certain aggregated loan data in relation to the Portfolio within 10 Business Days of each Monthly Pool Date (assuming timely delivery by the Servicer of the Servicer Report). The Investor Report will be posted on the following website: www.usbank.com/abs on or around the end of each calendar month and as such will be available to the Class A Noteholders. The website and the contents thereof do not form part of this Prospectus;
- (b) calculate the Available Revenue Receipts and Available Principal Receipts of the Issuer;
- (c) apply, or cause to be applied, Available Revenue Receipts, in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration 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-Acceleration Priority of Payments;
- (e) record credits to, and debits from, the General Reserve Ledger, the Principal Ledger, the Revenue Ledger, the Issuer Profit Ledger and the Principal Deficiency Ledger as and when required;
- (f) make payments of the consideration for a Further Advance or Flexible Drawing to the Legal Title Holder or the Servicer;
- (g) make a drawing under the Class Z VFN as required, including any drawing required to fund a Further Advance or Flexible Drawing;
- (h) make any determinations and calculations in respect of any Reconciliation Amount, if necessary; and

- (i) where applicable, at the direction of the Servicing Consultant or the Issuer, invest amounts standing to the credit of the Transaction Account in Authorised Investments.

In addition, the Cash Manager will:

- (a) maintain the following ledgers (the **Ledgers**) on behalf of the Issuer:
 - (i) the **Principal Ledger**, which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (ii) the **Revenue Ledger**, which will record all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (iii) the **General Reserve Ledger** which will record (A) all amounts credited to the General Reserve Fund from the proceeds of the Class Z VFN Holder's funding of the Class Z VFN and thereafter from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and (B) as a debit, withdrawals of each of the Amortisation General Reserve Release Amount and the General Reserve Required Debit Amount in relation to an Interest Payment Date (if any) from the General Reserve Fund on such Interest Payment Date (see "*Credit Structure – (2) General Reserve Fund and General Reserve Ledger*" below);
 - (iv) the **Principal Deficiency Ledger** (comprising two sub-ledgers) which shall record on the Class A Principal Deficiency Ledger and the Class Z VFN Principal Deficiency Ledger (as the case may be) (A) as a debit, deficiencies arising from Losses on the Portfolio, Principal Receipts used to pay a Revenue Deficiency and (B) as a credit, Available Revenue Receipts applied pursuant to items (h) and (j) of the Pre-Acceleration Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon be applied as Available Principal Receipts) (see "*Credit Structure – (4) Principal Deficiency Ledgers*" below); and
 - (v) the **Issuer Profit Ledger** which shall record as a credit the Issuer Profit Amount retained by the Issuer as profit in accordance with the relevant Priority of Payments;
- (b) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date;
- (c) at the direction of the Servicing Consultant or the Issuer, invest monies standing from time to time to the credit of the Transaction Account in Authorised Investments as determined by the Servicing Consultant or the Issuer subject to the following provisions:
 - (i) any such Authorised Investment shall be made on behalf of and in the name of the Issuer;
 - (ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and
 - (iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the relevant Bank Account.

Issuer Profit Amount means an amount equal to £1,000 as at each Interest Payment Date.

Investor Reports

Under the Cash Management Agreement, with the assistance of the Servicer, the Cash Manager will agree, to prepare and deliver, on a monthly basis within 10 Business Days of each Monthly Pool Date (assuming timely delivery by the Servicer of the Servicer Report), the Investor Report addressed to the Issuer, the Security Trustee, the Seller, and the Rating Agencies setting out the payments into and out of each of the Bank Accounts, payments to other third parties and BAWAG P.S.K.'s compliance with the text of each of Article 405(1) of the CRR and Article 51(1) of the AIFMR and Article 254(2) of the of the Solvency II Regulation.

The Investor Report will be posted on the following website: www.usbank.com/abs on or around the end of each calendar month and as such will be available to the Class A Noteholders. The website and the contents thereof do not form part of this Prospectus.

Remuneration of Cash Manager

The Cash Manager will be paid a cash management fee (exclusive of VAT, if any) for its cash management services under the Cash Management Agreement. The fee is payable quarterly in arrears on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments.

Termination of Appointment and Replacement 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 and the Issuer will have the right to appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

Liability of the Cash Manager

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the gross negligence, fraud or wilful default of the Cash Manager in carrying out its functions as Cash Manager under the Cash Management Agreement.

Governing Law

The Cash Management Agreement will be governed by English law.

Bank Account Agreement

Pursuant to the terms of the bank account agreement entered into on the Closing Date between the Issuer, the Account Bank, the Cash Manager and the Security Trustee, (the **Bank Account Agreement**) the Issuer will maintain with the Account Bank a Transaction Account (the **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 Loans in the Portfolio will be paid into the Transaction Account from the Collection Account on or prior to the Business Day following receipt of such amounts 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, amounts will be withdrawn from the Transaction Account and applied by the Cash Manager pursuant to the Cash

Management Agreement and in accordance with the Priority of Payments described below under "Cashflows".

The Note Trustee may and/or may direct or instruct the Security Trustee to agree with the Issuer and any other person (without the consent or sanction of the other Secured Creditors or the Noteholders (but in the case of the Security Trustee only with the written consent of the Secured Creditors which are a party to the relevant Bank Account Agreement)) in making or sanctioning any modification (other than, in the case of (i) below, a Basic Terms Modification) to the Bank Account Agreement which is (i) in the opinion of the Note Trustee, not materially prejudicial to the interests of the Noteholders of any Class or (ii) in the opinion of the Note Trustee, of a formal, minor or technical nature or to correct a manifest error.

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 Account Bank or default by the 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.

The Bank Account Agreement is governed by English law.

The Corporate Services Agreement

On or prior to the Closing Date, *inter alios*, the Issuer and the Corporate Services Provider will enter into a corporate services agreement (the **Corporate Services Agreement**) pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), 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.

Deed of Covenant

On the Closing Date, the Issuer will enter into a deed of covenant in substantially the form set out in the Option Agreement (the **Deed of Covenant**) with NRAM Limited and Landmark (the **Relevant Sellers**).

Under the Deed of Covenant, the Issuer (in its capacity as an approved loan buyer under the Option Agreement) covenants to be bound by certain terms of the Option Agreement including:

- (a) not to take any action that could reasonably be expected to have a detrimental effect on any Borrower in connection with a Loan, unless such action would be undertaken in the ordinary course by a Prudent Lender or is consistent with any actions taken by Landmark over the past three years;
- (b) procuring that Landmark for a period of twelve months from the Share Purchase Date undertakes, *inter alios*, to deal with Loans in arrears and set interest rates in accordance with the terms of the Option Agreement;

- (c) not to allow any Together Loans to be or become "de-linked" as to legal title from the Loan to which such Together Loan relates;
- (d) to observe and perform the obligations of Landmark as lender arising under the Loans and any Related Security (or ensure that the legal title holder in respect of the Loans and Related Security does the same);
- (e) to ensure that the Loans are administered in accordance with MCOB or CONC (as applicable);
- (f) to deal with and take certain actions in relation to complaints relating to the Loans in accordance with the terms of the Option Agreement;
- (g) to comply with the confidentiality provisions under the Option Agreement; and
- (h) agree to be bound by certain monetary and time limits in relation to the liability of the Relevant Sellers.

Governing Law

The Deed of Covenant is governed by English law.

Prudent Lender means a reasonably prudent FCA-authorized lender managing loans of the type of the Loans made on terms which do not differ materially from the Mortgage Conditions to borrowers with similar credit histories to the Borrowers.

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 Arranger, any Joint Lead Manager, the Servicer, the Back-Up Servicer, the Master Servicer, the Legal Title Holder, the Cash Manager, the Account Bank, the Principal Paying Agent, any other Paying Agent, the Agent Bank, the Class Z VFN Registrar, the Note Trustee, the Security Trustee, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Arranger, any Joint Lead Manager, the Servicer, the Back-Up Servicer, the Master Servicer, the Legal Title Holder, the Cash Manager, the Account Bank, the Principal Paying Agent, any other Paying Agents, the Agent Bank, the Class Z VFN Registrar, the Note Trustee, the Security Trustee or by any other person other than the Issuer.

The structure of the credit support arrangements may be summarised as follows:

1. Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (n) (inclusive) of the Pre-Acceleration Revenue Priority of Payments. The actual amount of any Deferred Consideration payable under item (n) of the Pre-Acceleration Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see "*Risk Factors – Credit Structure – Interest Rate Risk*" above) and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries 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 (h) (inclusive) of the Pre-Acceleration Revenue Priority of Payments, such excess is available to replenish and increase the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.

2. General Reserve Fund and General Reserve Ledger

On the Closing Date, the Issuer will establish the General Reserve Fund to provide credit enhancement for the Class A Notes which will be credited with the General Reserve Required Amount on the Closing Date. The General Reserve Fund will be funded from the proceeds of the Class Z VFN Holder's funding of the Class Z VFN on the Closing Date and following the Closing Date, to the extent required in connection with Further Advances or Flexible Drawings from time to time. The General Reserve Fund will be deposited in the Transaction Account (with a corresponding credit being made to the General Reserve Ledger). The Issuer may invest the amounts standing to the credit of the Transaction Account in Authorised Investments. For more information about the application of the amounts standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies Released from the General Reserve Fund*" below.

The Cash Manager will maintain the General Reserve Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund.

After the Closing Date, the General Reserve Fund will be funded up to the General Reserve Required Amount from Available Revenue Receipts and will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments on every Interest Payment Date.

The **General Reserve Required Amount** will be an amount equal to £11,619,000 on the Closing Date (being an amount at least equal to 1.5 per cent. of the Current Balance of the Portfolio as at the calendar day immediately preceding the Closing Date) (the **Initial General Reserve Required Amount**) and thereafter shall on each Interest Payment Date be an amount equal to 1.5 per cent. of the Current Balance of the Portfolio as at the calendar day immediately preceding the Closing Date, provided that if on such date the General Reserve Amortisation Conditions (as defined below) are met, the General Reserve Required Amount shall be an amount equal to 2.25 per cent. of the Principal Amount Outstanding of the Class A Notes on such Interest Payment Date (taking into account any redemptions of the Class A Notes on such Interest Payment Date), subject to a maximum of the Initial General Reserve Required Amount and a minimum of 0.75 per cent. of the Current Balance of the Portfolio as at the calendar day immediately preceding the Closing Date. On any Interest Payment Date on which the Class A Notes are fully repaid or otherwise redeemed in full, the Issuer shall not be required to maintain the General Reserve Fund, the General Reserve Required Amount will be reduced to zero and any amounts held in the General Reserve Fund will form part of Available Revenue Receipts and will be applied in accordance with the relevant Priority of Payments.

The **General Reserve Amortisation Conditions** means each of the following conditions:

- (a) no Event of Default has occurred and is continuing;
- (b) the Class A Principal Deficiency Ledger will not have a debit balance on that Interest Payment Date after applying all Available Revenue Receipts on that Interest Payment Date;
- (c) the Current Balance of the Loans comprising part of the Portfolio in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 4 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio as at such relevant date; and
- (d) cumulative Losses on the Portfolio as at such relevant date represent less than 1 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio as at the Closing Date.

3. Use of Principal Receipts to pay Revenue Deficiency

On each Calculation Date, the Cash Manager will calculate whether the aggregate of items (a) to (h) less (i) and (j) plus (k) of the definition of Available Revenue Receipts is insufficient to pay items (a) to (g) of the Pre-Acceleration Revenue Priority of Payments. If there is a deficit (the **Revenue Deficiency**), then the Issuer (or the Cash Manager on its behalf) shall pay or provide for that Revenue Deficiency by the application of amounts standing to the credit of the Principal Ledger, if any, and the Cash Manager shall make a corresponding entry in the relevant Principal Deficiency Ledger, as described in "*(4) Principal Deficiency Ledgers*" below as well as making a debit in the Principal Ledger. Any such entry and debit shall be made and taken into account prior to the application of Available Principal Receipts on the relevant Interest Payment Date. For more information about the application of Principal Receipts to pay a Revenue Deficiency, see the section "*Cashflows – Application of Principal Receipts to pay Revenue Deficiency*".

4. Principal Deficiency Ledgers

A Principal Deficiency Ledger, comprising two sub ledgers, known as the Class A Principal Deficiency Ledger (the **Class A Principal Deficiency Ledger**), and the Class Z VFN Principal Deficiency Ledger (the **Class Z VFN Principal Deficiency Ledger**, and together with the Class A Principal Deficiency Ledger, each a **Principal Deficiency Ledger** and, together, the **Principal Deficiency Ledgers**), will be established on the Closing Date in order to record any Losses on the Portfolio as allocated against each of the Classes of Notes referenced above and/or the application of Principal Receipts to pay any Revenue Deficiency. Losses or debits recorded on the Class A Principal Deficiency Ledger shall be recorded in respect of the Class A Notes. Losses or debits recorded on the Class Z VFN Principal Deficiency Ledger shall be recorded in respect of the Class Z VFN. Losses of principal to be credited to the Principal Deficiency Ledger will be calculated after applying any recoveries to outstanding interest amounts due and payable on the relevant Loan.

The application of any Principal Receipts to meet any Losses on the Portfolio will be recorded as a debit:

- (a) first, to the Class Z VFN Principal Deficiency Ledger up to a maximum of the Class Z VFN Principal Deficiency Limit ; and
- (b) second, to the Class A Principal Deficiency Ledger.

Losses means any of:

- (a) all realised losses in respect of a Loan (including in each case Irrecoverable VAT in respect thereof but not (for the avoidance of doubt) any other amount of VAT); and
- (b) 100% of the Current Balance of any Loan which the Seller was required to repurchase pursuant to the terms of the Mortgage Sale Agreement but has failed to do so.

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.

Class Z VFN Principal Deficiency Limit means the Principal Amount Outstanding of the subscription under the Class Z VFN used to fund the Current Balance (calculated as at such corresponding funding date) of the Loans.

Amounts allocated to each Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments. Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

5. Available Receipts

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the Pre-Acceleration Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments, as applicable. It is not intended that any surplus will be accumulated in the Issuer (although this does not include the Issuer Profit Amount which the Issuer expects to generate each accounting period as its profit in respect of the business of the Issuer, amounts standing to the credit of the General Reserve Ledger).

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 Class Z VFN 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 Class A Notes then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class Z VFN.

Failure to pay interest on the most senior Class of Notes within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

CASHFLOWS

Definition of Revenue Receipts

Revenue Receipts means (a) payments of interest and other fees due from time to time under the Loans (including Early Repayment Fees and any Arrears of Interest) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced and (c) recoveries of any amounts (including any interest and principal amounts) from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed if such recoveries are identifiable by the Seller as pertaining to a Loan in the Portfolio (d) the proceeds of indemnity payments attributable to revenue only of any indemnity payment made by the Seller to the Issuer pursuant to the Mortgage Sale Agreement, and (e) any proceeds from claims against the Seller under the Mortgage Sale Agreement, the Option Agreement Rights and any rights under the Bawag Loan Sale Agreement in each case to the extent that such proceeds constitute or are attributable to interest or represent action in respect of interest.

Definition of Available Revenue Receipts

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

- (a) Revenue Receipts or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date, received (i) by or on behalf of the Issuer during the immediately preceding Collection Period, or (ii) if representing amounts received in respect of any indemnity payments made by the Seller pursuant to the Mortgage Sale Agreement from (but excluding) the Monthly Pool Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to (and including) the immediately preceding Monthly Pool Date;
- (b) interest payable to the Issuer on the Bank Accounts and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) the Amortisation General Reserve Release Amount (if any) in respect of such Interest Payment Date;
- (d) on the Interest Payment Date on which the Class A Notes are fully repaid or otherwise redeemed in full, any amounts standing to the credit of the General Reserve Fund;
- (e) other net income of the Issuer received during the immediately preceding Collection Period (excluding any Principal Receipts);
- (f) amounts deemed to be Available Revenue Receipts in accordance with paragraph (c) of the Pre-Acceleration Principal Priority of Payments;
- (g) amounts credited to the Transaction Account on the immediately preceding Interest Payment Date in accordance with paragraph (l) of the Pre-Acceleration Revenue Priority of Payments;
- (h) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);

less:

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

- (i) certain costs and expenses charged by the Servicer in respect of its servicing of the Loans, costs or expenses incurred in relation to any audit in respect of title and security, other than any amounts payable by way of Servicing Fees in accordance with item (f) of the Pre-Acceleration Revenue Priority of Payments and not otherwise covered by the items below;
- (ii) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
- (iii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account or is required to refund an amount previously debited and such other amounts that have been paid in error or otherwise recalled or is required by the Collection Account Bank to be credited to a reserve which will set aside an amount for such payments in the collection account of the Original Seller or Legal Title Holder, as applicable;
- (iv) payments by the Borrower of any fees (including Early Repayment Fees) and other charges which are due to the Seller; and
- (v) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

(items within paragraph (i) above of the definition of Available Revenue Receipts being collectively referred to herein as **Third Party Amounts**). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere;

less

(j) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the Collection Account of the Legal Title Holder in respect of the Loans or to repay any amounts due to the Collection Account Bank in respect of the Loans;

plus

(k) if a shortfall occurs such that the aggregate of items (a) to (h) less (i) and (j) above is insufficient to pay or provide for items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments, the General Reserve Required Debit Amount in respect of such Interest Payment Date (if any); and

plus

(l) if a Revenue Deficiency occurs such that the aggregate of items (a) to (h) less (i) and (j) plus (k) above is insufficient to pay or provide for items (a) to (g) of the Pre-Acceleration Revenue Priority of Payments, Available Principal Receipts in an aggregate amount sufficient to cover such Revenue Deficiency.

Application of Monies Released from the General Reserve Fund

Prior to service of a Note Acceleration Notice on the Issuer, each of the Amortisation General Reserve Release Amount and the General Reserve Required Debit Amount in relation to an Interest Payment Date (if any) will be withdrawn from the General Reserve Fund and applied on such Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

The **Amortisation General Reserve Release Amount** shall, on any Calculation Date, be an amount equal to the General Reserve Required Amount on the immediately preceding Interest Payment Date *minus* the General Reserve Required Amount on the immediately following Interest Payment Date, provided that on any Interest Payment Date on which the Class A Notes are fully repaid or otherwise redeemed in full and the General Reserve Required Amount is reduced to zero, the Amortisation General Reserve Release Amount shall be zero.

The **General Reserve Required Debit Amount** shall, on any Calculation Date, be an amount equal to any shortfall in amounts required by the Issuer to pay or provide for items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments on the immediately following Interest Payment Date (taking into account any Amortisation General Reserve Release Amount to be applied as Available Revenue Receipts on such Interest Payment Date), subject to a minimum of zero and a maximum of the amount standing to the credit of the General Reserve Fund (less any Amortisation General Reserve Release Amount to be debited from the General Reserve Fund on such Interest Payment Date), as at such Calculation Date.

Application of Principal Receipts to pay Revenue Deficiency

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger as at the end of the immediately preceding Collection Period may be applied on each Interest Payment Date to make payments to items (a) to (g) of the Pre-Acceleration Revenue Priority of Payments in an amount equal to the Revenue Deficiency on such Interest Payment Date.

If any amounts are applied from the Principal Ledger to pay or provide for a Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the relevant Principal Deficiency Ledger.

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Monies following redemption of the Notes in full

On any Optional Redemption Date (which is not an Interest Payment Date) on which the Notes are repaid or provided for 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 any Bank Account 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-Acceleration Priority of Payments.

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 the application of the Available Revenue Receipts in the following order of priority (in each case only if

and to the extent that payments or provisions of a higher priority have been made in full) (the **Pre-Acceleration Revenue Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable prior to the immediately following Interest Payment Date to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax (**VAT**) thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable prior to the immediately following Interest Payment Date to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable prior to the immediately following Interest Payment Date to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Class Z VFN Registrar and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Class Z VFN Registrar in the immediately succeeding Interest Period under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Account Bank for itself and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank for itself prior to the immediately following Interest Payment Date under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein;
 - (v) 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 prior to the immediately following Interest Payment Date under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;
 - (vi) any amounts then due and payable to the Back-Up Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein; and

- (vii) any remuneration then due and payable to the Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer in the immediately succeeding Interest Period under the provisions of the Back-Up Servicing Agreement, together with VAT (if payable) thereon as provided therein;
- (c) *third*, 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 prior to the immediately following Interest Payment Date 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 (e));
- (d) *fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable to the Legal Title Holder (in its capacity as such) and the Master Servicer (in its capacity as such) prior to the immediately following Interest Payment Date under the provisions of the Master Servicer and Legal Title Holder Deed, together with VAT (if payable) thereon as provided therein;
- (e) *fifth*, to pay the Issuer the Issuer Profit Amount to be retained by the Issuer as profit in respect of the business of the Issuer;
- (f) *sixth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction of 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 prior to the immediately following Interest Payment Date under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
- (g) *seventh*, to provide for amounts due on the relevant Interest Payment Date, to pay pro rata and pari passu according to the respective Principal Amount Outstanding thereof interest due and payable on the Class A Notes;
- (h) *eighth*, to credit (so long as any 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 (any such amounts to be applied in repayment of principal as Available Principal Receipts);
- (i) *ninth*, provided such Interest Payment Date is not the final interest payment date of the transaction, to credit the General Reserve Ledger up to the General Reserve Required Amount;
- (j) *tenth*, (so long as the Notes will remain outstanding following such Interest Payment Date), to credit the Class Z VFN Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (any such amounts to be applied in repayment of principal as Available Principal Receipts);
- (k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date to pay interest (including any Deferred Interest) due and payable on the Class Z VFN according to the respective Principal Amount Outstanding thereof;

- (l) *twelfth*, (so long as any Class A Notes will remain outstanding following such Interest Payment Date), if such Interest Payment Date falls within a Determination Period, then the excess (if any) to the Transaction Account to be applied as Available Revenue Receipts on the next following Interest Payment Date;
- (m) *thirteenth*, (so long as no Class A Notes remain outstanding following such Interest Payment Date), to pay principal due and payable on the Class Z VFN in an amount equal to the Class Z Repayment Amount; and
- (n) *fourteenth*, any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

As used in this Prospectus:

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

Appointee means any attorney, manager, agent, delegate, nominee, Receiver, receiver and manager, custodian or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions.

Arrears of Interest means as at any date in respect of any Loan, the aggregate of all interest (other than Accrued Interest) on that Loan which is currently due and payable and unpaid on that date other than an Authorised Underpayment.

Authorised Underpayment means a Monthly Payment by a Borrower which is less than the Monthly Payment that would, but for such underpayment, be required for that month which, in respect of a Flexible Loan is funded by, and does not exceed the amount of any, Overpayments previously made by the Borrower in respect of such Flexible Loan or is otherwise permitted by the Legal Title Holder in accordance with the relevant Mortgage Conditions which does not constitute an Unauthorised Underpayment.

Class Z Repayment Amount means, as at an Interest Payment Date, the greater of (A) (i) the Principal Amount Outstanding of the Class Z VFN on such Interest Payment Date (taking into account any amounts to be applied to pay principal on the Class Z VFN on such Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments) less (ii) the Current Balance of the Loans as at such Interest Payment Date and (B) zero.

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

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

Monthly Payment means, in respect of a Loan, the amount which the applicable Mortgage Conditions to which such Loan is subject require the relevant Borrower to pay on a Monthly Payment Date in respect of that Loan.

Monthly Payment Date means, in respect of a Loan, the date in each month on which the relevant Borrower is required to make a payment of interest and, if applicable, principal, in respect of such Loan, as required by the applicable Mortgage Conditions to which such Loan is subject.

Option Agreement Rights means all rights, title, interest and benefit of the Seller under the Option Agreement in respect of any representations, warranties, undertakings and indemnities provided to the Seller in respect of, *inter alia*, the Loans and the Related Security therefor.

Overpayment means in respect of any Loan, any additional amounts of principal receipts received in a month above the regular, scheduled Monthly Payment, paid by the relevant Borrower which:

- (a) is permitted by the terms of such Loan or by agreement with the Borrower; and
- (b) reduces the Current Balance of such Loan.

Receiver means any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Assets by the Security Trustee pursuant to the Deed of Charge.

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

Unauthorised Underpayment means a Monthly Payment by a Borrower which is less than the Monthly Payment that would, but for such underpayment, be required for that month which, in respect of a Flexible Loan is funded by, and does not exceed the amount of any, Overpayments previously made by the Borrower in respect of such Flexible Loan or is otherwise permitted by the Legal Title Holder in accordance with the relevant Mortgage Conditions which does not constitute an Authorised Underpayment.

Definition of Principal Receipts

Principal Receipts means payments received by the Issuer representing (without double counting): (a) principal repayments under the Loans, (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (c) any payment pursuant to any insurance policy in respect of a Property in connection with a Loan in the Portfolio; (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (other than any amount representing accrued interest); (e) any proceeds from claims against the Seller under the Mortgage Sale Agreement, the Option Agreement Rights and rights under the Bawag Loan Sale Agreement in each case to the extent that such proceeds constitute or are attributable to principal or represent action in respect of principal; less (f) an amount equal to the aggregate of all principal repayments which have been used to purchase or fund any Further Advances or Flexible Drawings but in an aggregate amount not exceeding such Principal Receipts.

Definition of Available Principal Receipts

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

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date:
 - (i) received by the Issuer during the immediately preceding Collection Period

minus

- (A) an amount equal to the aggregate of all Further Advance Amounts or Flexible Drawing Amounts paid by the Issuer in such Collection Period (but excluding from this deduction any Further Advance Amounts to be paid by the Issuer on that Interest Payment Date (where such Interest Payment Date is also a Monthly Pool Date); and
- (B) an amount equal to the aggregate of all Further Advance Amounts or Flexible Drawing Amounts to be paid by the Issuer on that Interest Payment Date (where such Interest Payment Date is also a Monthly Pool Date)

but in an aggregate amount not exceeding all such Principal Receipts;

- (ii) if representing amounts received in respect of any indemnity payments made by the Seller pursuant to the Mortgage Sale Agreement received by the Issuer from (but excluding) the Monthly Pool Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to (and including) the immediately preceding Monthly Pool Date;
 - (iii) 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; and
- (b) (in respect of the first Interest Payment Date only) the amount paid into the Transaction Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Class Z VFN used to establish the General Reserve Fund and to pay the initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date) over the Initial Consideration;
 - (c) the amounts (if any) calculated on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Ledger and/or the Class Z VFN Principal Deficiency Ledger is reduced;
 - (d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);

less

- (e) any amounts utilised to pay a Revenue Deficiency pursuant to paragraph (l) of the definition of Available Revenue Receipts.

Application of Available Principal Receipts Prior to the Service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice on the Issuer, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the **Pre-Acceleration 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):

- (a) *first*, in or towards repayment of the principal amount outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (b) *second*, in or towards repayment of the principal amounts outstanding on the Class Z VFN until the Principal Amount Outstanding of the subscription under the Class Z VFN used to fund the Current Balance of the Loans has been reduced to zero; and
- (c) *third*, the excess (if any) to be applied as Available Revenue Receipts.

Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer

Following the service of a Note Acceleration Notice (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or a Receiver will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) other than any amounts standing to the credit of the Issuer Profit Ledger or any Issuer Profit Amount (which such amounts shall be used by the Issuer in or towards satisfaction of any amounts due and payable by the Issuer to third parties (and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period) and 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 (which such amounts shall be used for such purpose), in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Post-Acceleration Priority of Payments** and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the **Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee, any Receiver appointed by the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;

- (iii) any amounts then due and payable to the Class Z VFN Registrar and any fees, costs, charges, liabilities and expenses then due and payable to the Class Z VFN Registrar under the provisions of the Agency Agreement together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Account Bank for itself and any fees, costs, charges, liabilities and expenses then due and payable to the Account Bank for itself under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (vi) any amounts then due and payable to the Back-Up Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (vii) any remuneration then due and payable to the Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer in the immediately succeeding Interest Period under the provisions of the Back-Up Servicing Agreement, together with VAT (if payable) thereon as provided therein;
 - (viii) any amounts then due and payable to the Legal Title Holder (in its capacity as such) and the Master Servicer (in its capacity as such) and any fees, costs, charges, liabilities and expenses then due and payable to the Legal Title Holder (in its capacity as such) and the Master Servicer (in its capacity as such), under the provisions of the Master Servicer and Legal Title Holder Deed together with (if payable) VAT thereon as provided therein (applicable on such Interest Payment Date); and
 - (ix) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein (applicable on such Interest Payment Date);
- (c) *third*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof any interest and principal due and payable on the Class A Notes, until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
 - (d) *fourth*, to pay according to the respective outstanding amounts interest and principal due and payable on the Class Z VFN, until the Principal Amount Outstanding on the Class Z VFN has been reduced to zero;
 - (e) *fifth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (f) below);

- (f) *sixth*, to pay the Issuer the Issuer Profit Amount to be retained by the Issuer in the Bank Accounts as profit in respect of the business of the Issuer; and
- (g) *seventh*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

DESCRIPTION OF THE NOTES IN GLOBAL FORM AND THE VARIABLE FUNDING NOTES

General

The Class A Notes, as at the Closing Date, will be represented by a Global Note in fully registered form without interest coupons or principal receipts. Beneficial interests in a Global Note may only be held through Euroclear or Clearstream, Luxembourg or their participants. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Note will be deposited on or about the Closing Date on behalf of the subscribers for the Class A Notes with a Common Safekeeper for both Euroclear and Clearstream, Luxembourg (together, the **Clearing Systems**). Upon deposit of the Global Note, the Clearing Systems will credit each subscriber of Class A Notes with the principal amount of Class A Notes of the relevant class equal to the aggregate principal amount thereof for which the subscriber will have subscribed and paid. Interests in the Global Note are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Class A Noteholder, for interests recorded in the records of the Clearing Systems in a Global Note.

For so long as the Class A Notes are represented by a Global Note and the Clearing Systems so permit, the Class A Notes will be tradable only in the minimum authorised denomination of £100,000 and integral multiples of £1,000 in excess thereof.

Payments on the Global Note

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement of such Global Note at the specified office 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 the case of any Global Note, to certification of non-U.S. beneficial ownership as provided in such Global 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 which 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 relevant holder of the relevant Global Note. The Issuer shall procure that each payment shall be entered pro rata in the records of the relevant Clearing Systems but any failure to make such entries shall not affect the discharge referred to above.

On each record date (**Record Date**) Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for purposes of making payments to the Noteholders. A Record Date means (i) for so long as the Notes are in global registered form, one business day (being for this purpose a day on which the relevant Clearing System is open for business) prior to each Interest Payment Date, and (ii) if the Notes are in definitive registered form, the date falling 15 days prior to each Interest Payment Date.

Payments will be made, in respect of the Global Notes, by credit or transfer to an account in sterling maintained by the payee with a bank in London.

Payments in respect of principal, premium (if any) and interest on the Global Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

A holder shall be entitled to present a Global Note for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due 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 Noteholders or if a Noteholder desires to give instructions or to take any action that a Noteholder 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 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 the 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 or to the order of the Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. The redemption price payable in connection with the redemption 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 the Global Note in part will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its participants. See "*Description of the Notes in Global Form and the Variable Funding Notes - General*" above.

Issuance of Definitive Notes

If, while any of the Class A Notes are represented by a Global Note, (a) either of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Class A Notes which would not be required were such Class A Notes in definitive form, then the Issuer will issue Definitive Notes in exchange for such Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. The Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and the Security Trustee require to take account of the issue of Definitive Notes.

Any Notes issued in definitive form will be issued in definitive bearer form in the denominations set out in the Conditions and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, each Global Note or the Book-Entry Interests. In addition, so long as the Class A Notes are admitted to the Irish Stock Exchange and trading on its Main Securities Market, any notice may also be published in accordance with the relevant rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange). See also Condition 15 (*Notice to Noteholders*) of the Notes.

Variable Funding Notes

The Class Z VFN will be issued in dematerialised registered form and no certificate evidencing entitlement to the Class Z VFN will be issued. The Issuer will also maintain a register, to be kept on the Issuer's behalf by the Class Z VFN Registrar, in which the Class Z VFN will be registered in the name of the Class Z VFN Holder. Transfers of the Class Z VFN 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*).

New Safekeeping Structure and Eurosystem Eligibility

The Notes are intended to be held in a manner which would allow Eurosystem eligibility and will be deposited with one of the ICSDs as common safekeeper. However, the deposit of the Notes with one of the ICSDs as common safekeeper upon issuance or otherwise does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Issuer ICSDs Agreement

Prior to the issuance of the Notes, the Issuer will enter into an Issuer ICSDs agreement with the ICSDs in respect of the Notes (the **Issuer ICSDs Agreement**). The Issuer ICSDs will, in respect of the Notes (while being held in the new safekeeping structure), maintain their respective portion of the issue outstanding amount through their records. The Issuer ICSDs Agreement will be governed by English law.

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the **Conditions** of the Notes and any reference to a **Condition** shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

1. GENERAL

The £670,000,000 class A mortgage backed floating rate notes due September 2045 (the **Class A Notes**) and the up to £250,000,000 variable funded note due September 2045 (the **Class Z VFN** and, together with the Class A Notes, the **Notes**), in each case of Feldspar 2016-1 PLC (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on or about 11 November 2016 (the **Closing Date**) and made between, *inter alios*, the Issuer and U.S. Bank Trustees Limited as trustee for the Noteholders (in such capacity, the **Note Trustee**). Any reference in these terms and conditions (the **Conditions**) to a **Class** of Notes or of Noteholders shall be a reference to the Class A Notes or the Class Z VFN, 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 U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated on the Closing Date and made between the Issuer, the Note Trustee, the Security Trustee, Elavon Financial Services DAC, UK Branch as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agents**), Elavon Financial Services DAC as registrar (in such capacity, the **Registrar**), BAWAG P.S.K. as Class Z VFN registrar (in such capacity, the **Class Z VFN Registrar**) and Elavon Financial Services DAC, UK Branch as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and 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 will initially be offered and sold outside the United States to non-U.S. persons in offshore transactions (within the meaning of Regulation S) in accordance with, and reliance on, Regulation S under the Securities Act (**Regulation S**). The Class A Notes are represented by a global note (each, a **Global Note**) in fully registered form (without interest coupons or principal receipts attached) in the aggregate principal amount on issue of £670,000,000 for the Class A Notes. Each Global Note will be 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**) and will be registered in the name of a nominee of the Common Safekeeper as nominee for Euroclear and Clearstream, Luxembourg (as relevant) on the Closing Date. Upon deposit of the Global Notes, the Clearing Systems credited each subscriber of Class A Notes with the principal amount of Class A 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.

References in these Conditions to Euroclear and/or Clearstream, Luxembourg shall, wherever the context so admits, be deemed to include references to any additional or alternative clearing system approved by the Note Trustee.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, as being entitled to an interest in a Global Note (each an **Accountholder**) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to such an Accountholder and in relation to all other rights arising under the relevant Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system (as the case may be) from time to time. For so long as the relevant Notes are represented by a Global Note, Accountholders shall have no claim directly against the Issuer.

The Class Z VFN will be in dematerialised registered form.

For so long as the Class A Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Class A Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Notes (as defined below) will be issued with a denomination above £199,000.

A Global Note will be exchanged for Class A 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 Class A Notes which would not be required were such Class A Notes in definitive form.

If Definitive Notes are issued in respect of Class A 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 only.

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 in the case of the Class A Notes. No Definitive Notes will be issued with a denomination above £199,000.

Definitive Notes, if issued will be available at the offices of the Registrar. If the Issuer fails to meet obligations to issue Notes in definitive form in exchange for a Global Note, then that Global Note shall remain in full force and effect.

The Class Z VFN has a minimum denomination of £100,000 and may be issued and redeemed in integrals of £100. No certificate evidencing entitlement to the Class Z VFN will be issued. The Class Z VFN will be in dematerialised registered form.

The Class Z VFN will be issued on the Closing Date with a nominal principal amount of £250,000,000 and a Principal Amount Outstanding of which £116,219,000 will be subscribed for on the Closing Date. So long as the Class A Notes are outstanding, the Principal Amount Outstanding of the Class Z VFN shall not fall below 5 per cent. of the aggregate Current Balance of the Loans as at the Closing Date. If a further funding is made in respect of any of the Class Z VFN, the Class Z VFN Registrar shall record such increase in the Principal Amount Outstanding of the Class Z VFN in the register for the Class Z VFN (the **Class Z VFN Register**).

References to **Notes** in these Conditions shall include the Global Notes, the Class Z VFN 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 7.8 (*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 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, or to participate in any Ordinary Resolution in writing, any Written Resolution or any Electronic Consent as envisaged by paragraph 1 of Schedule 3 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 21.2 and Schedule 3 to the Trust Deed and Conditions 10 (*Events of Default*), 11 (*Enforcement*) and 12.5 (*Additional Right of Modification*) of the Notes;
- (iii) any discretion, power or authority (whether contained in the trust presents, or vested by operation of law) which the Security Trustee and/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 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, any holding company of any of them or any other Subsidiary of any such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller, any holding company of the Seller or any other Subsidiary of such holding company (the **Relevant Persons**) where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Class of Notes (the **Relevant Class of Notes**) shall be deemed to remain outstanding 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 shall pass by and upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Definitive Note shall only pass by and upon registration of the transfer in the Register.

Definitive Notes may be transferred upon the surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 2.1 (*Form and Denomination*) above. All transfers of Definitive Notes are subject to any restrictions on transfer set out on the Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Note to be issued upon transfer of such Definitive Note will, within five Business Days of receipt and surrender of such Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

Title to a Class Z VFN shall only pass by and upon registration of the transfer in the Class Z VFN Register provided that no transferee shall be registered as a new Class Z VFN Holder unless (a) the prior written consent of the Issuer and (for so long as any Class A 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 an Extraordinary Resolution of the Class A Noteholders) and (b) such transferee has certified to, *inter alios*, the Class Z VFN 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.

Qualifying Noteholder means any holder of the Class Z VFN (other than the Retention Holder) and which is:

- (a) a person which is beneficially entitled to interest in respect of the Class Z VFN 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 A Noteholders and (ii) the person(s) in whose name a Class Z VFN is registered in the Class Z VFN Register (or in the case of joint holders, the first named thereof).

Class A Noteholders means holders of the Class A Notes.

Class Z VFN Holder means holders of the Class Z VFN.

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 *pari passu* and *pro rata* without any preference or priority among themselves as to payments of principal and interest.
- (b) The Class Z VFN 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 Class Z VFN rank junior to the Class A Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class Z VFN Holder will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding).
- (c) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the 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 the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and those of the Class Z VFN Holder.

As long as the Notes are outstanding but subject to Condition 12.4 (*Modification*) and the Deed of Charge, the Security Trustee shall not have regard to the interests of the other Secured Creditors.

- (d) The Trust Deed and the Deed of Charge contain provisions limiting the powers of the Class Z VFN Holder 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.
- (e) 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, the exercise of which will be binding on the Class Z VFN Holder.

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 Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

- (i) **Bank accounts:** have an interest in any bank account other than the Bank 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) **Class Z VFN:** so long as the Class A Notes are outstanding, allow the Principal Amount Outstanding of the Class Z VFN 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 Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Class A Note, that part only of such Class A Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 *Interest Payment Dates*

The first Interest Payment Date will be the Interest Payment Date falling in March 2017.

Interest will be payable quarterly in arrear on the 15th the day of March, June, September and December in each year or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an **Interest Payment Date**), for all classes of Notes.

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

5.3 *Rate of Interest*

- (a) The rate of interest payable from time to time in respect of each class of the Notes (each a **Rate of Interest** and together the **Rates of Interest**) will be determined on the basis of the following provisions:
 - (i) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If

the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Sterling deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for 3 and 6 month deposit in Sterling) in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (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

- (ii) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) shall have applied but taking account of any change in the Relevant Margin.

There will be no maximum Rate of Interest. The minimum Rate of Interest will be zero. In the event that LIBOR plus the relevant margin is zero then Noteholders will not receive payment of interest on the Notes.

- (b) The margin on the Class A Notes changes from (and including) the Interest Payment Date falling in December 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 banks are generally open for business in London;
 - (ii) **LIBOR** means the London Interbank Offered Rate;
 - (iii) **Reference Banks** means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
 - (iv) **Relevant Margin** means in respect of each Class of the Notes the following per cent. per annum:
 - (A) in respect of the Class A Notes, prior to the Step-Up Date 0.70 per cent. per annum and on and after the Step-Up Date 1.40 per cent. per annum; and

- (B) in respect of the Class Z VFN, 0.0 per cent. per annum;
- (v) **Relevant Screen Rate** means 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 3 and 6 month deposits in Sterling and displayed on Bloomberg screen pages BP0003M and BP0006M, respectively) 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
- (vi) **Interest Determination Date** means the first day of the Interest Period for which the rate will apply.

5.4 Determination of Rates of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after (a) 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 Notes, payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 (or, if any portion of the Interest Period concerned falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period concerned falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period concerned falling in a non-leap year divided by 365) and rounding the resulting figure downwards to the nearest penny.

5.5 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rates of Interest 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 Class Z VFN Registrar, the Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Rates of Interest and Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 5.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, 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 Class Z VFN Registrar, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence, or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Class Z VFN Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.8 Agent Bank

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. 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 any Servicer Report due during a Collection Period (the **Determination Period**), then the Cash Manager may use the Servicer Reports in respect of the most recent Collection Period for which all relevant Servicer Reports are available (or, where there are not at least three such 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 all the Servicer Reports 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 most recent Collection Period in respect of which all relevant Servicer Reports are available (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) 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 Note 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 preceding Collection Period for which all relevant Servicer Reports are available (or where there are not at least three previous such Servicer Reports, the relevant previous Collection Period used by the Cash Manager pursuant to Condition 5.9(b)(i)) divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Collection Period;

Reconciliation Amount means in respect of any Collection Period (i) the actual Principal Receipts as determined in accordance with the available Servicer Reports, less (ii) the Calculated Principal Receipts in respect of such Collection Period, plus (iii) 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 each Monthly Pool Date and detailing the information relating to the Portfolio necessary to produce the 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 (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of such Global Note at the specified office of the Principal Paying Agent (or the Class Z VFN Registrar in respect of the Class Z VFN) or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) for such purpose. 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 registered holder of the relevant Global Note. 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.

Payments will be made in respect of the Notes by credit or transfer to an account in Sterling maintained by the payee with a bank in London.

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 any jurisdiction and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 Payment of Interest following a Failure to pay Principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (*Interest Accrual*) and 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, the Registrar or the Class Z VFN 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, Class Z VFN Registrar and the Registrar; and
- (b) there will at all times be at least one Paying Agent (who may be the Principal Paying Agent) and Registrar 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, the Registrar or the Class Z VFN 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

- (a) If the Class Z VFN Registrar (in respect of the Class Z VFN) makes a partial payment in respect of the Class Z VFN, the Class Z VFN Registrar will, in respect of the Class Z VFN, annotate the Class Z VFN Register, indicating the amount and date of such payment.
- (b) If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the Register indicating the amount and date of such payment.

6.7 Payment of Interest

If interest is not paid in respect of a Note on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 6.1 (*Payment of Interest and Principal*)) then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 15 (*Notice to Noteholders*).

7. REDEMPTION

7.1 Redemption at Maturity

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem:

- (a) the Class A Notes at their respective Principal Amount Outstanding on the Interest Payment Date falling in September 2045; and
- (b) the Class Z VFN at its Principal Amount Outstanding on the Interest Payment Date falling in September 2045.

7.2 Mandatory Redemption

- (a) Each Note shall, subject to Conditions 7.3 (*Optional Redemption of the Class A Notes in Full*) and 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), be redeemed on each Interest Payment Date prior to the service of a Note Acceleration Notice in an amount equal to the Available Principal Receipts available for such purpose which shall be applied subject, to and in accordance with, the Pre-Acceleration Principal Priority of Payments and, as applicable, the Pre-Acceleration Revenue Priority of Payments.
- (b) With respect to each Class of Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any principal repayment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Class of Note and (iii) in relation to the Class A Notes only, the fraction expressed as a decimal to the sixth point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of that Note, is the Principal Amount Outstanding of that Note on the Closing Date and the Pool Factor shall in each case (in the absence of wilful default, fraud or manifest error) be final and binding on all persons.

- (c) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and, in the case of the Class A Notes only, Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Security Trustee, the Paying Agents, the Agent Bank, and (for so long as the Class A Notes are listed and admitted to trading on the Irish Stock Exchange) the Irish Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 15 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Class A Notes on any Interest Payment Date a notice to this effect will be given to the relevant Noteholders.

7.3 Optional Redemption of the Class A Notes in Full

- (a) On giving not more than 60 nor less than 10 days' notice to (i) the Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and (ii) the Note Trustee, the Issuer may redeem, on any Optional Redemption Date, all (but not some only) of the Class A Notes on such Optional Redemption Date provided that:
- (i) on or prior to the Interest Payment Date on which such notice expires (the **Optional Redemption Date**), no Note Acceleration Notice has been served;
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Class A 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 Class A Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Acceleration Principal Priority of Payments and (as applicable) the Pre-Acceleration Revenue Priority of Payments); and
 - (iii) the Optional Redemption Date is (A) the Interest Payment Date falling in December 2021 or any Interest Payment Date thereafter or (B) any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date.
- (b) Any Class A Note redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Class A Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Class A Note up to, but excluding, the Optional Redemption Date.

7.4 Optional Redemption of the Class A Notes for Taxation or Other Reasons

- (a) If
- (i) 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 Class A Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Class A Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United

Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; or

- (ii) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any of the Notes,

then the Issuer shall, if the same would avoid the effect of such relevant event described in subparagraph (i) or (ii) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Class A Notes and the Trust Deed, provided that

- (A) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Class A Noteholders (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on (A) confirmation from the Rating Agencies that such substitution will not have an adverse effect on the then current rating of the Class A Notes) or (B) if no such confirmation from the Rating Agencies is forthcoming, the Issuer has certified in writing to the Note Trustee and the Security Trustee that such proposed substitution (i) (while any of the Class A Notes remain outstanding) has been notified to the Rating Agencies, (ii) would not have an adverse impact on the Issuer's ability to make payment when due in respect of the Class A Notes, (iii) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security and (iv) (while any of the Class A Notes remain outstanding) would not have an adverse effect on the rating of the Class A Notes; and
 - (B) 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 (as to which, the Note Trustee (at the Issuer's expense) may request the advice of any professional adviser and and/or request a legal opinion from legal advisers of a recognised standing in form and substance satisfactory to the Note Trustee and may rely without liability on such advice and/or opinion), 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 event described in this paragraph above shall not apply.
- (b) If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in subparagraph (i) or (ii) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice (or, in the case if an event described in subparagraph (ii) above, such shorter period expiring on or before the latest date permitted by relevant law) to the Note Trustee and the Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*), redeem all (but not some only) of the Class A Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (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 one or more of the circumstances referred to above prevail(s), (ii) setting out details of such circumstances and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution and

(b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer or the Paying Agents 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.

(c) The Issuer may only redeem the Class A Notes as described in paragraph (b) 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 Class A Notes as aforesaid and any amounts required under the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments to be paid in priority to or *pari passu* with the Class A 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 *Principal Amount Outstanding means:*

(a) in respect of the Class A Notes on any date shall be their original principal amount of £670,000,000 less the aggregate amount of all principal payments in respect of such Class A Notes which have been made since the Closing Date; and

(b) in respect of the Class Z VFN shall be, as at a particular day (the **Reference Date**), the total principal amount of all drawings under the Class Z VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such Class Z VFN which have been made since the Closing Date and not later than the Reference Date (such amounts to be notified in writing by the Class Z VFN Registrar to the Principal Paying Agent and any other Paying Agents).

7.6 *Notice of Redemption*

Any such notice as is referred to in Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A 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 Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A 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.

7.7 *No Purchase by the Issuer*

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

7.8 *Cancellation*

All Notes (other than the Class Z VFN) redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

On each Interest Payment Date on which the Class Z VFN is redeemed pursuant to Condition 7.2 (*Mandatory Redemption*), the Class Z VFN Registrar shall cancel the Class Z VFN in an amount equal to such mandatory redemption, thereby reducing the nominal principal amount of the Class Z VFN by an amount equal to such mandatory redemption.

Each Class Z VFN will be cancelled when redeemed in full after the Class Z VFN 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, or in connection with FATCA. In that event, subject to Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), the Issuer or, as the case may be, the relevant Paying Agent or the Class Z VFN 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 Class Z VFN 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.

FATCA means sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto.

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 Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall, (subject 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 Amount Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class A Notes 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 Resolution 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 Resolution 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).

10.2 **Class Z VFN**

This Condition 10.2 shall not apply as long as any Class A Note remains outstanding. Subject thereto, for so long as any Class Z VFN is outstanding, the Note Trustee shall if so directed by the sole Class Z VFN Holder or holders of all the Class Z VFN, (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, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class Z VFN 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 Conditions 10.1(b) to 10.1(f) (*Class A Notes*) occurs with references, where applicable, to the Class A Noteholders being read as to the Class Z VFN Holder.

10.3 General

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Condition 10.1 (*Class A Notes*) or Condition 10.2 (*Class Z VFN*) above, all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed.

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, actions or proceedings 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 of and Schedule 3 to 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 or, if there are no Class A Notes then outstanding, the holders of all the Class Z VFN; 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) the Cash Manager certifies to the Security Trustee (upon which certification the Security Trustee can rely without liability) that a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders) as set out in the Priority of Payments or, once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto) which certificate shall be binding on the Secured Creditors, or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders) as set out in the Post-Acceleration Priority of Payments or, once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto)). The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security 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 Z VFN Holder irrespective of the effect upon it, subject to Condition 12.3 (*Quorum*).

12.3 Quorum

- (a) Subject as provided below, the quorum at any meeting of Class A Noteholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes, or, at any adjourned meeting, one or more persons being or representing a Class A Noteholder, whatever the aggregate Principal Amount Outstanding of the Class A Notes then outstanding 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 Class A Noteholders 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 three-quarters or, at any adjourned meeting, not less than one-quarter 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 also sanctioned by an Extraordinary Resolution of each affected Class of Notes then outstanding (including if so affected the Class Z VFN).

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 (acting on the instructions of the Note Trustee) is bound to act.

12.4 Modification

The Note Trustee may and/or may direct or instruct the Security Trustee to 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, other than in respect of a Basic Terms Modification, 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 is of a formal, minor or technical nature or to correct a manifest error.

12.5 Additional Right of Modification

Notwithstanding the provisions of Condition 12.4 (*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 or enter into any new, supplemental or additional documents that the Issuer (in each case) considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that in relation to any amendment under this paragraph (a):
 - (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 Account Bank (for the purposes of this Condition 12.5 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, 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 (ii)(y) above;
 - (B) either:
 - (I) the Issuer or Cash Manager (on behalf of the Issuer) obtains from each of the Rating Agencies a Rating Agency Confirmation and, if relevant, delivers a copy of each such confirmation to the Issuer, the Note Trustee and the Security Trustee; 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 Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); and
 - (C) BAWAG P.S.K. 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;
- (b) for the purpose of complying with the requirements of Rule 17g-5 of the Securities Exchange Act of 1934, provided that the Issuer certifies to the Note Trustee and the Security Trustee that such modification is required solely for such purpose and has been drafted solely to such effect;
- (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), Article 51 of the AIFMR or Article 254 of the Solvency II Regulation, after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR 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 Class A Notes to be (or to remain) listed on the Irish Stock Exchange, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (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 purpose of complying with any requirements to appoint an entity to carry out disclosure or reporting requirements under the CRA Regulation provided that the Issuer certifies to the Note Trustee and the Security Trustee that such modification is required solely for such purpose and has been drafted solely to such effect;
- (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; or
- (h) to effect the appointment of the Back-Up Servicer (or any affiliate or related entity to the Back-Up Servicer) or a Successor Servicer, as applicable, to act as Servicer of the Loans, provided that:
 - (i) in the case of the appointment of the Back-Up Servicer or any affiliate or related entity, such person is appointed to act as Servicer of the Loans on substantially the same terms as the Replacement Servicing Agreement;
 - (ii) in the case of the appointment of any third party to act as a Successor Servicer, the conditions to the appointment of a Successor Servicer as set out in the Servicing Agreement, are satisfied,

provided that (i) the Issuer certifies to the Note Trustee and the Security Trustee that such modification is required solely for such purpose and has been drafted solely to such effect and that the conditions of appointment set out at paragraph (i) or (ii) above are satisfied,

(the certificate to be provided by (i) the Issuer, (ii) the Cash Manager on behalf of the Issuer, (iii) the relevant Transaction Party and/or (iv) the Relevant Party, as the case may be, pursuant to Conditions 12.5(a) to (h) above being a **Modification Certificate**), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;
- (B) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee is notified of the proposed modification and on the date that such modification takes effect; and
- (C) 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;
- (D) other than in the case of a modification pursuant to Condition 12.5(a)(ii) above, either:
 - (I) the Issuer or Cash Manager (on behalf of the Issuer) obtains from each of the Rating Agencies a Rating Agency 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 Class A

Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); and

- (E) 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 most senior Class of Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Issuer's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes;

- (i) for the purposes of the Issuer entering into any new and/or amended bank account agreement (including where the unsecured, unsubordinated and unguaranteed debt obligations of the or the Account Bank are downgraded below any relevant rating level as set out in the relevant Transaction Document, and the Issuer is required to take certain remedial action (as set out in the relevant Transaction Documents) in order to maintain the ratings of the Class A Notes at their then current ratings), provided that the Issuer certifies to the Security Trustee and the Note Trustee (upon which the Security Trustee and Note Trustee shall rely without further enquiry or liability) that any such new agreement and/or amendment would not have an adverse effect on the then current rating of the Class A Notes then outstanding and provided that neither the Note Trustee nor the Security Trustee shall be obliged to agree to any such new agreement and/or amendment which, in the sole opinion of the Note Trustee or the Security Trustee, would have the effect of (i) 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 (ii) increasing the obligations or duties, or decreasing the protections, of the Note Trustee and/or the Security Trustee under the Transaction Documents and/or the Conditions.

12.6 Other than where specifically provided in Condition 12.5 (*Additional Right of Modification*) or any Transaction Document:

- (a) when implementing any modification pursuant to Condition 12.5 (*Additional Right of Modification*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), 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 12.5 (*Additional Right of Modification*) 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 it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee in the Transaction Documents and/or these Conditions.

12.7 The Note Trustee may also and/or (as appropriate) may direct or instruct the Security Trustee to, 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 of the Class A Noteholders 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.

12.8 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 Class A Notes remain outstanding, each Rating Agency;
- (ii) the Secured Creditors; and
- (iii) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

12.9 In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree (and may direct the Security Trustee to agree), without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders.

12.10 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 Class A Notes. It is agreed and acknowledged by the Note Trustee and the Security Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Class A Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee and the Security Trustee that this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person or create any legal relations

between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.

12.11 Where, in connection with the exercise or performance by the Note 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), the Note 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 shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

12.12 **Extraordinary Resolution** means in respect of the Class A Noteholders:

- (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 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 the Class A 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 Class A Noteholders (a **Written Resolution**), or (ii) where the Class A 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 Class A Notes then outstanding (**Electronic Consent**).

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 whether or not they participated in such Written Resolution and/or Electronic Consent.

12.13 **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 12.13, 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 is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Class A 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 and/or the Registrar may reasonably require. A mutilated or defaced Class A 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 Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange. 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.
- (b) Whilst the Class A Notes are represented by a Global Note, notices to Noteholders (other than the Class Z VFN Holder) will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders (other than the Class Z VFN Holder). Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (c) In respect of the Class Z VFN, notices to the Class Z VFN Holder 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.

15.2 Note Trustee's Discretion to Select Alternative Method

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

16. SUBORDINATION BY DEFERRAL

16.1 Interest

- (a) If, on any Interest Payment Date whilst any of the Class A Notes 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 Z VFN after having paid or provided for items of higher priority in the Pre-Acceleration 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 Z VFN (unless there are no Class A Notes 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-Acceleration Revenue Priority of Payments than interest payable in respect of the Class Z VFN) (and for the avoidance of doubt such deferral shall not constitute an Event of Default).
- (b) Any interest deferred in respect of the Class Z VFN 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 Z VFN 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 Z VFN becomes 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 Class Z VFN 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 Class Z VFN Holder 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 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 CLASS Z VFN AND ADJUSTING THE MAXIMUM CLASS Z VFN AMOUNT

17.1 Class Z VFN

- (a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Servicing Consultant prior to the Class Z VFN Commitment Termination Date notifying the Issuer (i) that a Further Advance or Flexible Drawing has been made in respect of which there are insufficient funds standing to the credit of the Principal Ledger to fund the purchase of the Further Advance Amount or Flexible Drawing Amount and of the amount of the Further Advance Amount or Flexible Drawing Amount and/or such shortfall which is insufficiently funded by amounts standing to the credit of the Principal Ledger, (ii) that amounts standing to the credit of the General Reserve Fund are less than the General Reserve Required Amount, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class Z VFN (the **Class Z VFN Holder**) requesting that such Class Z VFN Holder further fund the Class Z VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:
- (i) (A) in respect of (a)(i) above, the Further Advance Amount or the Flexible Drawing Amount less amounts standing to the credit of the Principal Ledger available to pay such Further Advance Amount or Flexible Drawing Amount; or
 - (B) in respect of (a)(ii) above, the General Reserve Required Amount less all amounts standing to the credit of the General Reserve Fund; and
 - (ii) the Maximum Class Z VFN Amount less the current Principal Amount Outstanding of the Class Z VFN (taking into account any predicted or forecast reductions to the Principal Amount Outstanding of the Class Z VFN on the following Interest Payment Date).
- (b) The Class Z VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the Class Z VFN Commitment Termination Date requesting that the relevant Class Z VFN Holder further fund the Class Z VFN, shall notify the Issuer that the relevant Class Z VFN Holder is prepared to make such further funding (the **Further Class Z VFN Funding**), provided the relevant Class Z VFN Holder 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 17.1(d) below.
- (c) The proceeds of the Further Class Z VFN Funding shall be applied by the Issuer to fund (i) the Further Advance Amount or Flexible Drawing Amount and (ii) the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.
- (d) The Class Z VFN Holder shall advance the amount of such Further Class Z VFN 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 Class Z VFN Funding (or such lesser time as may be agreed by the Class Z VFN Holder), the relevant Class Z VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase therefor, receipt of which shall oblige the relevant Class Z VFN Holder to accept the amount of the Further Class Z VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;

- (ii) as a result of the making of such Further Class Z VFN Funding, the aggregate amount plus all Further Class Z VFN Funding made in respect of the relevant Class Z VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class Z VFN which has already been repaid) would not exceed the Maximum Class Z VFN Amount;
- (iii) 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 Class Z VFN Funding; or
 - (B) the relevant Class Z VFN Holder agrees in writing (notwithstanding any matter mentioned at (iii)(A) above to make such Further Class Z VFN Funding available; and
- (iv) the proposed date of such Further Class Z VFN Funding falls on a Business Day prior to the Class Z VFN Commitment Termination Date.

In this Condition 17.1, the expression:

Maximum Class Z VFN Amount for the Class Z VFN shall be £250,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class Z VFN Holder, and notified to the Note Trustee; and

Notice of Increase means a notice, 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 Class A Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a **Rating Agency Confirmation**).

18.2 If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee) and:

- (i) (A) one Rating Agency (such Rating Agency, a **Non-Responsive Rating Agency**) indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and
- (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency

Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by two directors certifying and confirming that each of the events in paragraphs (i)(A) or (i)(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 Rating Agency 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 Rating Agency Confirmation or response from the Non-Responsive Rating Agency.

19. JURISDICTION AND GOVERNING LAW

- (a) The Courts of England (the **Courts**) are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Transaction Documents may be brought in such Courts.
- (b) The Transaction Documents, 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 except for (i) to the extent that any provisions of the Transaction Documents relate to the Scottish Loans and their Related Security, such provisions shall be construed in accordance with Scots law and (ii) those Transaction Documents expressed to be governed by Scots law (which are governed by Scots 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 Class A 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 gross proceeds of the issue of the Class Z VFN to fund (i) to the extent that the proceeds of the Class A Notes are insufficient to pay the Initial Consideration on the Closing Date, the remaining portion of the Initial Consideration, (ii) any Further Advance Amount or Flexible Drawing Amount (to the extent not funded by amounts standing to the credit of the Principal Ledger), (iii) the establishment of the General Reserve Fund, (iv) any increase in the General Reserve Fund up to the General Reserve Required Amount and (v) initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date.

RATINGS

The Class A Notes, on issue, are expected to be assigned the following ratings by Fitch and Moody's. The Class Z VFN are not 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 judgement, circumstances (including, without limitation, a reduction in the credit rating of the Account Bank in the future) so warrant.

Class of Notes	Fitch	Moody's
Class A Notes	AAA sf	Aaa (sf)
Class Z VFN	Not rated	Not rated

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under the CRA Regulation. 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) (this website and the contents thereof do not form part of this Prospectus). 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 European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union 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 11 May 2016 (registered number 10175202) as a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is c/o Structured Finance Management Limited 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is 020 7398 6300. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, of which one share is fully paid up and 49,999 shares are quarter-paid and all shares are held by Holdings (see "*Holdings*" below).

The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer.

The Issuer was established as a special purpose vehicle solely for the purpose of issuing asset backed notes. The Issuer is permitted, pursuant to the terms of its articles of association, *inter alia*, to issue the Notes. The Issuer will covenant to observe certain restrictions on its activities which are set out in Condition 4 (*Covenants*).

Under the Companies Act 2006 (as amended), the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer directors, a registered and administrative office, the arrangement of meetings of directors and shareholders, a company secretary and accounting services. No remuneration is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issues of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, has made a notification under the Data Protection Act 1998. As at the date of this Prospectus, statutory accounts have not yet been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2016.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the General Reserve 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	c/o Structured Finance Management Limited 35 Great St. Helen's, London EC3A 6AP	Director
SFM Directors Limited	c/o Structured Finance	Corporate Director

Name	Business Address	Business Occupation
	Management Limited 35 Great St. Helen's, London EC3A 6AP	
SFM Directors (No. 2) Limited	c/o Structured Finance Management Limited 35 Great St. Helen's, London EC3A 6AP	Corporate Director

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

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

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 11 May 2016 (registered number 10175176) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is c/o Structured Finance Management Limited 35 Great St. Helen's, London EC3A 6AP. The issued share capital of Holdings comprises one ordinary share of £1. SFM Corporate Services Limited (the **Share Trustee**) holds the entire legal and beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the legal and the beneficial interest in the issued share capital of the Issuer.

Neither the Seller nor any company connected with the Seller can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer.

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

Holdings has not engaged since its incorporation in any material activities other than those activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Directors

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

Name	Business Address	Business Occupation
Claudia Wallace	c/o Structured Finance Management Limited 35 Great St. Helen's, London EC3A 6AP	Director
SFM Directors Limited	c/o Structured Finance Management Limited 35 Great St. Helen's, London EC3A 6AP	Corporate Director
SFM Directors (No. 2) Limited	c/o Structured Finance Management Limited 35 Great St. Helen's, London EC3A 6AP	Corporate Director

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

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2016.

Holdings has no employees.

THE SELLER, CLASS Z VFN HOLDER, RETENTION HOLDER AND THE SERVICING CONSULTANT

BAWAG.P.S.K. is the Seller, the Class Z VFN Holder, the Class Z VFN Registrar, the Servicing Consultant and the Retention Holder under the transaction. Incorporated as a joint-stock company in the Republic of Austria, it is registered under the laws of the Republic of Austria in the commercial register under the number FN 205340x. Its head office is at Georg-Coch-Platz 2, 1018 Vienna, Austria (Tel. +43 (0) 599 05).

BAWAG P.S.K. is 99.62% owned by BAWAG Holding GmbH and 0.38% owned by Pa-Zweiundsechzigste WT Beteiligungsverwaltungs GmbH.

BAWAG P.S.K. is an Austrian bank, operating predominantly in Austria with additional activities in selected international markets. The Bank offers a range of banking services with an emphasis on the retail business. It maintains current accounts, holds savings deposits, distributes investment products, grants loans to individuals, corporations and federal and local authorities, operates an e-banking system for private and corporate customers and issues letters of credit and guarantees. It also provides money transfer and foreign exchange services. The Bank also operates in money and capital markets. It offers investment management and advisory services and acts as a broker for different exchanges and OTC-markets.

THE CORPORATE SERVICES PROVIDER AND THE BACK-UP SERVICER 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 Servicer Facilitator pursuant to 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 ORIGINAL SELLER, THE LEGAL TITLE HOLDER, THE ORIGINATOR AND THE MASTER SERVICER

Landmark Mortgages Limited is a private limited company incorporated in England and Wales under the Companies Act with company number 3273685. The registered office of Landmark is at Admiral House, Harlington Way, Fleet, Hampshire GU51 4YA, United Kingdom.

Landmark was previously NRAM plc, a public limited company incorporated in England and Wales under the Companies Act 1985 on 30 October 1996. NRAM plc was the successor to Northern Rock Building Society (the **NR Society**), which was a "building society" within the meaning given to that term in the Buildings Societies Act.

The NR Society was formed in 1965 as a result of the merger of the Northern Counties Permanent Building Society (established in 1850) and the Rock Building Society (established in 1865). The NR Society subsequently merged with a number of small local building societies. On 1 October 1997, the NR Society converted from a building society to a public limited company, listed on the London Stock Exchange and authorised under the Banking Act 1987.

Northern Rock plc, as Landmark was known at that time, entered Temporary Public Ownership (**TPO**) in February 2008.

On 1 January 2010, Northern Rock plc formally restructured its business into two legal entities, both of which remained in TPO:

- Landmark – which retained, and continues to hold and service, the majority of the pre-existing mortgage book. It is regulated as a mortgage provider by the FCA and does not offer any new mortgage lending; and
- Northern Rock plc. – a new company re-registered with the name 'Northern Rock plc' (formerly known as Gosforth No. 1 Limited) which received NRAM's retail deposit business, a proportion of its unencumbered mortgages and its mortgage origination and servicing platforms. It continued to offer new savings and lending products and was sold to Virgin Money in January 2012, subsequently being renamed Virgin Money plc.

From 1 November 2010, Northern Rock (Asset Management) plc, as Landmark was known at that time, came under the common ownership of UK Asset Resolution Limited.

On 5 May 2016 the entire issued share capital of NRAM plc, as Landmark was known at that time, was transferred to Landmark Bidco Limited, a private limited company, registered in England and Wales with company number 09863985 and whose registered office is at 35 Great St. Helen's, London EC3A 6AP. Accordingly, Landmark is no longer under the common ownership of UK Asset Resolution Limited since 5 May 2016.

THE SERVICER

Computershare Mortgage Services Limited (**CMS**) is a private limited company registered in England and Wales under number 02466320. CMS, which is regulated by the FCA is part of the Computershare group who together form the largest third party residential mortgage servicer in the United Kingdom. Computershare currently services over £71 billion of mortgages and loans, which represents over half of the outsourced mortgages in the United Kingdom.

The registered office and principal place of business of CMS are The Pavilions, Bridgwater Road, Bristol BS13 8AE and Aire Valley House, Croft Road, Crossflatts, Bingley, West Yorkshire, BD12 2UA.

The information in the preceding two paragraphs has been provided solely by CMS for use in this Prospectus. Except for the foregoing two paragraphs, CMS and its affiliates do not accept responsibility for this Prospectus.

THE BACK-UP SERVICER

Western Mortgage Services Limited (**WMS**) is a leading third party mortgage administrator in the United Kingdom and currently services in excess of 216,000 accounts totalling over £21 billion of mortgage assets. WMS is part of Capita Asset Services, which acquired WMS from Britannia Treasury Services Limited (a subsidiary of The Co-operative Bank plc) in August 2015. Across its regulated subsidiaries, Capita Asset Services currently services over £25 billion of mortgage assets in the UK, and a total of €93 billion across its European operations.

WMS was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 26 April 1996 with company registration number 3191608. The registered office of WMS is 17 Rochester Row, London, SW1P 1QT.

THE NOTE TRUSTEE AND SECURITY TRUSTEE

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

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

U.S. Bancorp (NYSE: USB), with \$364 billion in assets as of Dec. 31, 2013, is the parent company of U.S. Bank, the 5th largest commercial bank in the United States. The company operates 3,081 banking offices in 25 states and 4,906 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

THE CASH MANAGER AND THE ACCOUNT BANK

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

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

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

U.S. Bancorp (NYSE: USB), with \$410 billion in assets as of March 31, 2015, is the parent company of U.S. Bank National Association, the 5th largest commercial bank in the United States. The Company operates 3,172 banking offices in 25 states and 5,016 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com/abs. The website and the contents thereof do not form part of this Prospectus.

THE LOANS

The Portfolio

Introduction

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

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

Consideration

The consideration from the Issuer to the Seller in respect of the sale of the equitable interest in the English Loans and the beneficial interest in the Scottish Loans, together comprising the Portfolio shall be: (a) an amount agreed between the Issuer and Seller, being an estimate of the final purchase price for the Mortgage Portfolio to be paid by the Issuer to the Seller on the Closing Date (the **Closing Date Purchase Price**) subject to the provisions relating to Closing Reconciliation Amount below.

Closing Reconciliation Amount

On the date being ten Business Days after the Closing Date (or such other date agreed between the Issuer and the Seller) (the **Reconciliation Date**), the Cash Manager (based on information made available to it by the Seller) will calculate the difference (if any) between the Closing Date Purchase Price and the actual Current Balance of the Loans as at the Closing Date (the **Closing Reconciliation Amount**).

To the extent that the Closing Reconciliation Amount is a positive amount, the Seller shall be required to make a payment to the Bank Account in an amount equal to such Closing Reconciliation Amount no later than seven Business Days after the Reconciliation Date. The Issuer shall pay such Closing Reconciliation Amount on the first Interest Payment Date after the Reconciliation Date in accordance with the Priorities of Payments.

To the extent that the Closing Reconciliation Amount is a negative amount, the Issuer shall be required to make a payment to such account as the Seller may instruct in an amount equal to the Closing Reconciliation Amount no later than three Business Days after the Reconciliation Date.

No later than the date falling 7 Business Days after the Reconciliation Date, the Seller shall pay to the Issuer an amount equal to the Closing Date Revenue Collections.

Product Switches, Further Advances and Porting

The sale of Loans and their Related Security comprised in the Mortgage Portfolio do not impose or include any obligation on the Issuer (i) to pay or make any Further Advances; or (ii) to agree to a Product Switch or a Porting request; or (iii) to agree to any Authorised Underpayments or any Payment Holiday and the obligations referred to in (i) to (iii) above (if any) remain an obligation of the Legal Title Holder, notwithstanding the sale of such Loans and their Related Security to the Issuer.

The Seller undertakes to the Issuer to repurchase a Loan if a Borrower requests at any time a Product Switch and it is agreed that such request will be accommodated.

The Seller undertakes to the Issuer to repurchase a Loan if a Borrower requests at any time: (i) a Further Advance or a Flexible Drawing and it is agreed that such request will be accommodated (ii) the Issuer is unable to fund any such amount from funds standing to the credit of the Principal Ledger and (iii) the Class Z VFN Holder fails to advance an amount equal to such shortfall.

See "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" above.

The Portfolio

The Portfolio will comprise loans advanced to the Borrowers secured over residential property situated in England, Wales and Scotland (each a **Borrower**) and on the Closing Date will consist of the Loans acquired pursuant to the Mortgage Sale Agreement. Certain of the Loans that are included in the Portfolio have associated products that were offered "together" with the relevant Loan including a personal unsecured loan, an account and a credit card. None of these associated products will be included in the Portfolio.

Origination of the Portfolio

The Portfolio comprises Loans originated by NRAM plc (now Landmark Mortgages Limited and formerly Northern Rock PLC (and including loans originated by its predecessor, Northern Rock Building Society and other entities which merged with or were acquired by Northern Rock Building Society, including, for example, Lancastrian Building Society) and latterly Northern Rock (Asset Management) PLC (**NRAM**). Landmark is referred to in this Prospectus as the **Originator** or the **Original Seller**.

Security

All of the Mortgages are secured by first ranking mortgages or, as applicable, first ranking standard securities.

Characteristics of the Loans

The Loans in the Provisional Portfolio fall into the categories described below.

Fixed Rate Loans: Loans subject to a fixed interest rate for the life of the loan or for a specified period of time and at the expiration of that period are generally subject to the Original Seller's SVR or standard variable rate (the **Fixed Rate Loans**).

Together Loans: Flexible loans, which were offered in various product types: Together flexible, Together variable, Together fixed, Together fixed for life, Together discount tracker and Together stepped tracker. These products allowed the Borrower to obtain a Loan, an unsecured loan and, in some cases, a credit card, each with a variable or a fixed interest rate, depending on the product type, and which in certain circumstances permitted the Borrower to make Authorised Underpayments and take Payment Holidays, receive cash re-draws and make overpayments. No personal unsecured loans and accounts under a credit card associated with a Together Loan have been or will be included in the Portfolio. Any Unsecured Personal Loan offered with a Together Loan will not be sold to the Issuer.

Together Connections Loans: Flexible loans, which were offered in two product types: Together Connections Variable and Together Connections Fixed. These products have the same basic features as a Together Loan, but also allowed the Borrower to link the Loan with certain deposit and/or current accounts that were at the time held with the Original Seller. If a Borrower elected to take the Together Connections Benefit (as defined below), the Original Seller will only charge interest on the difference between the total of the outstanding balances on the Together Connections Loan

and certain deposit/current accounts held with the Original Seller (the **Combined Debit Balance**) and the average monthly cleared credit balance in that Borrower's linked deposit account or accounts (the **Combined Credit Balance**). Despite the foregoing, the Borrower was nevertheless obligated to make his contractual monthly payment of principal (if any) and interest in full. The **Together Connections Benefit** was the difference between (a) the contractual monthly payment due on the Combined Debit Balance and (b) the proportion of the payment made on the amount by which the outstanding Combined Debit Balance exceeds the average cleared credit balance in that Borrower's linked deposit account or accounts in respect of each month or any part of a month. Where the customer elected to take Together Connections Benefit, calculations were made and applied with effect from the first day of the month following the month during which the Combined Debit Balance exceeded such credit balance. Unless the Borrower specified otherwise, the Together Connections Benefit was apportioned *pro rata* between the Loan and the Unsecured Personal Loan in accordance with their respective contractual monthly payments. Any Together Connections Benefit was used to reduce the outstanding principal balance on the Loan and related Unsecured Personal Loan as described above. The Original Seller does not hold any Borrower deposit accounts and the Borrowers were notified that all accounts (including any linked deposit accounts) have been transferred. Therefore whilst originally the application of the Together Connections Benefit may have led to the amortisation of the related Loan more quickly than would otherwise be the case, as a higher proportion of the contractual monthly payment could be allocated towards the repayment of principal of the Loan such benefit did not continue following the transfer of all customer deposit accounts, as noted above. However, the Borrower is not permitted to make a cash redraw of the principal amounts that have been repaid as a result of the application of the Together Connections Benefit.

The **Together Connections Interest** option was where a Borrower who had linked their Loan to one or more deposit account could opt for interest to be paid periodically on deposits held in the linked accounts at the same interest rate which was used to calculate interest on their Loan.

The connection between a Borrower's Loan and Unsecured Personal Loan and any linked account or account of the Borrower may be ended (a) by the Original Seller giving the Borrower three months' notice in writing at any time or (b) immediately by the Original Seller giving the Borrower notice in writing at any time where there are serious grounds for ending the connection with immediate effect. The connection between a Borrower's Loan and Unsecured Personal Loan and any linked account or account of the Borrower will be ended automatically where the average combined cleared credit balance for the month exceeds the Combined Debit Balance in any month. The Original Seller has given notice to the relevant Borrowers ending the connection between their linked account(s) and the relevant Loans are therefore no longer connected with any such deposit accounts. The Original Seller has not given any such notice in relation to the Unsecured Personal Loans granted to the Borrowers and therefore such Unsecured Personal Loans remain connected with the Loans, though no Unsecured Personal Loans are included in the Portfolio.

Connections Loans: Flexible Loans, which allow the Borrower to obtain a Loan with either a variable or fixed rate of interest, depending on the product type, and which, in certain circumstances, permit the Borrower to make Authorised Underpayments and take Payment Holidays (collectively referred to in this Prospectus as **Non Cash Re-Draws**), receive cash re-draws and make overpayments. Connections Loans have the same basic features as Together Connections Loans but without the facility for an unsecured loan or credit card. The **Connections Debit Balance** will equal the total outstanding balance on the Connections Loans. In addition, the **Connections Combined Credit Balance** comprised the average monthly cleared credit balance in the Borrower's linked deposit account and/or current account with the Original Seller. **Connections Benefit** and **Connections Interest** were calculated in the same way as Together Connections Benefit and "Together Connections Interest" taking into account the amended definitions of **Connections Debit Balance** and **Connections Combined Credit Balance** as outlined above. As with the Together Loans, the

Borrowers have received notice that their accounts (whether or not linked account or deposit accounts) were transferred.

CAT Standard Loans: Flexible Loans, the terms of which can offer either a variable rate equal to the Bank of England base rate (**BBR**) plus an additional fixed percentage or can offer initially a fixed rate for a specified period of time followed by a variable rate equal to the BBR plus an additional fixed percentage, and which in some cases permit the Borrower to make Non Cash Re-Draws and receive cash re-draws.

Flexible Fixed Rate Loans: Flexible Loans with the same basic features as a Together Loan (other than allowing the Borrower to obtain a credit card and Unsecured Personal Loan) which are subject to a fixed rate of interest for a specified period of time, and at the expiration of that period are generally subject to the Original Seller's SVR.

Tracker Rate Loans: Loans subject to a variable rate of interest that is linked to BBR plus an additional fixed percentage.

Loans

Under the Loans, interest is charged at either a fixed rate or a variable rate and each Borrower may, save in the case of certain older loans, make some or all of the following: (i) cash redraws, (ii) overpayments, (iii) underpayments and (iv) an application for a payment holiday of one month per every nine consecutive full monthly payments made, with a maximum payment holiday of six months.

The Issuer and the Servicer have undertaken not to charge Early Repayment Fees to Borrowers during the Initial Post-Acquisition Period.

Repayment terms

Borrowers typically make payments of interest on, and repay principal of, their Loans using one of the following methods:

- (a) **repayment:** the Borrower makes monthly payments of both interest and principal so that, at the end of the mortgage term, the Borrower will have repaid the full amount of the principal of the Loan (a **Repayment Loan**);
- (b) **interest-only:** the Borrower makes monthly payments of interest but not of principal; at the end of the mortgage term, the entire principal amount of the Loan is still outstanding and the Borrower must repay that amount in one lump sum or by way of regular payments (but only at the discretion of the Original Seller and for a period of not more than five years). An Interest-only Loan may include a repayment plan or vehicle, including an endowment, pension policy or managed investment plan, share portfolio plan or sale of the relevant property; and
- (c) **combination repayment and interest-only:** this situation most often occurs when the Borrower had an Interest-only Loan with a repayment vehicle on a prior mortgaged property, and after selling that mortgaged property the Borrower purchased a property with a Loan where the subsequent home was either more expensive than the prior home or the Borrower took out a larger Loan or further advance. The Borrower used the existing interest-only repayment vehicle for the substitute Loan or further advance and made up the difference between the anticipated maturity value of the interest only repayment vehicle and the higher Loan amount with a repayment mortgage. The required monthly payment in connection with Repayment Loans or Interest-only Loans may vary from month to month for various reasons, including changes in interest rates.

No security is taken over investment plans.

Certain of the Loans are subject to a range of options that give the Borrower greater flexibility in the timing and amount of payments made under the Loan as well as access to borrow backs under the Loan. In particular those Loans originated by Landmark include certain of the flexible features described below.

Overpayments and underpayments: A Borrower may make overpayments or may repay the entire current balance under its Loan at any time subject to any applicable Early Repayment Fee (which may be waived at the Servicer's discretion). Any overpayment immediately reduces the Current Balance of the Loan from the day payment is received from the Borrower. Any overpayment will result in the immediate reduction in the amount of interest payable by the relevant Borrower.

A Borrower may use certain amounts that it has previously overpaid to fund future underpayments under its Loan (an **authorised underpayment**). If a Borrower makes an Authorised Underpayment under its Loan, the Current Balance of that Loan will be increased at the end of the month in which the Authorised Underpayment has been made and there will be an immediate effect on the amount of interest payable by the Borrower. A Borrower under a Loan may offset Authorised Underpayments up to the aggregate amount of any overpayments previously made (but not yet used to fund an Authorised Underpayment or redrawn in cash by the Borrower) during the lifetime of the Loan.

Any underpayment made by a Borrower (a) which cannot be funded by prior overpayments and (b) where the Borrower is not entitled to a payment holiday (an **Unauthorised Underpayment**) will be treated by the Servicer as arrears.

Payment Holidays: A Borrower that has made a specified number of consecutive scheduled monthly payments (or an equivalent sum of payments) on its Loan may apply for a payment holiday even if that Borrower has not made prior overpayments. A Borrower may apply for this payment holiday facility once in each rolling nine-month period and may accumulate the right to take up to a maximum of three monthly payment holidays in any one calendar year if the Borrower has not used the payment holiday facility in a given 27-month period. In addition, a Borrower may apply for a payment holiday of up to six months in certain limited cases (generally, where the Borrower can demonstrate an extenuating circumstance). The Loan will continue to accrue interest and other charges during any payment holiday and accrued interest will be added to the Current Balance of the related Loan which will increase the amount of interest payable by the Borrower.

Flexible Drawings: A Borrower may request a Flexible Drawing on its Loan by requesting that the Seller refund some or all of any Overpayments in cash, **provided that** (i) the aggregate amount of all Overpayments not yet used to fund an Authorised Underpayment or otherwise borrowed back in cash by the Borrower from the period commencing with the origination of the Loan to the date of the cash redraw is equal to or greater than £500, and that the amount of such Flexible Drawing is equal to or greater than £500 (if the aggregate amount of all Overpayments for such period is less than £500, any Borrower wishing to make a Flexible Drawing in these amounts may instead make an Authorised Underpayment of the scheduled monthly payment, but is not entitled to a Flexible Drawing) and (ii) the Borrower passes an affordability assessment at the time of requesting a Flexible Drawing. Any Flexible Drawing on a Loan will result in the immediate increase in the related Current Balance and will increase the amount of interest payable by the Borrower.

Further Advances

Following the Closing Date, no Further Advances will be made in respect of the Loans, unless required in accordance with the relevant Mortgage Conditions or Applicable Law. If the Legal Title Holder agrees to make any Further Advance and the Issuer is unable to fund any Further Advance from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance

an amount equal to such shortfall, then the Seller will be required to buy-back such Loan and its Related Security (subject to the steps set out in the Mortgage Sale Agreement being taken).

Product Switches

From the Closing Date, no Product Switches will be offered in respect of the Loans, unless contractually required in accordance with the relevant Mortgage Conditions or Applicable Law.

Title to the Portfolio

Pursuant to, and under the terms of the Mortgage Sale Agreement, dated on or about the Closing Date, the Seller will transfer the equitable title to the Loans to the Issuer and, in respect of the Scottish Loans, will unwind and release their beneficial interest in the Existing Scottish Declaration of Trust and procure that the Legal Title Holder grants the Scottish Declaration of Trust in favour of the Issuer. Following a Perfection Trigger Event, the Legal Title Holder will transfer legal title in and to the Loans and their Related Security at the direction of the Seller to the new legal title holder. In the case of the Mortgages over registered or recorded land in England, Wales and Scotland which will be transferred to the Issuer on the Closing Date, the Original Seller will, prior to the occurrence of a Perfection Trigger Event remain on the relevant Land Registry or the Registers of Scotland, as applicable, as the legal mortgagee or as heritable creditor of record.

Transfer of equitable title or (in respect of the Scottish Loans) the beneficial title in and to the Loans to the Issuer on the Closing Date is to be completed without registration or recording at the Land Registry or the Registers of Scotland (as the case may be) or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. Transfer of legal title in respect of the Loans from the Legal Title Holder to the Issuer or to a nominee of the Issuer (as the Issuer may direct) following a Perfection Trigger Event shall be completed by registration or as applicable recording at the Land Registry or the Registers of Scotland (as the case may be).

The English Mortgages in the Portfolio and their collateral security are accordingly owned in equity only by the Issuer pending such transfer and the Scottish Mortgages in the Portfolio and their collateral security are accordingly held in trust for the Issuer pending such transfer of legal title. Legal title in and to the Loans and their Related Security continues to be vested in and held by the Legal Title Holder and legal title in and to the Loans shall only be transferred to the new legal title holder upon the occurrence of a Perfection Trigger Event.

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

Save as mentioned above in "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*", the Security Trustee has undertaken not to effect any registration or as applicable recording at the Land Registry or the Registers of Scotland (as the case may be) to protect the sale of the Mortgages to the Issuer or the granting of security over the Mortgages by the Issuer in favour of the Security Trustee nor, save as mentioned below, to obtain possession of title deeds to the properties the subject of the Mortgages.

Notices of the equitable assignments or declarations of trust in favour of the Issuer and the security in favour of the Security Trustee will not, save as mentioned below, be given to the Borrowers under the Mortgages.

Under the Master Servicer and Legal Title Holder Deed, the Issuer and the Security Trustee shall not seek to transfer legal title in and to the Loans to the Issuer or a nominee of the Issuer prior to the occurrence of a Perfection Trigger Event.

Warranties and Breach of Warranties in relation to the Mortgages

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

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

Although the Seller will give certain representations and warranties in respect of the Loans sold by it, the Seller was not the originator of any of the Loans comprised in the Portfolio and has acquired its interest in the Loans and their Related Security under a portfolio mortgage sale agreement entered into by the Seller with CERH LLC which acquired the beneficial interest in the Loans and their Related Security from CERH which acquired the beneficial interest from the Original Seller in respect of the relevant Loans and their Related Security. Accordingly, since, amongst other reasons, the Seller does not have direct knowledge as to certain matters relating to the actual origination of the Loans, certain warranties are qualified by reference to the awareness of the Seller. It may be practically difficult for the Seller to detect a breach of warranty in respect of the Loans sold by it to the extent that the same relates to a matter outside of the immediate knowledge of the Seller where there is no on-going active involvement of the relevant Originator.

Lending criteria

Each Loan was originated according to NRAM plc's (now Landmark and formerly known as Northern Rock plc and latterly as Northern Rock (Asset Management) plc) (in its capacity as the originator of the Loans and their Related Security comprising the Portfolio, the **Initial Lender**) lending criteria applicable at the time the Loan was offered. This section sets out the Initial Lender's known lending criteria as from October 2003, except where otherwise provided. As of the Portfolio Reference Date, approximately 5.0 per cent. of the Loans in the Portfolio were originated prior to October 2003. The lending criteria applicable to those Loans originated prior to October 2003 may differ from that set out below.

To obtain a Loan, each prospective borrower completed an application form (or submitted an application on-line) which included information about the applicant's income, current employment details, bank account information, if any, current mortgage information, if any, and certain other personal information. The Initial Lender completed a credit reference agency search in all cases against each applicant at his/her current address and, if necessary, former addresses, which give details of public information including any county court judgments and details of any bankruptcy. Some of the factors used in making a lending decision in the period described above were as follows:

(a) *Employment details*

From October 2003, for income verification purposes the Initial Lender generally required a prospective borrower to (i) provide three monthly payslips from the six-month period to the date of the Loan application plus the borrower's most recent form P60 for loans up to £500,000 (or the provision of financial accounts in the case of a self-employed borrower) and (ii) provide the last three months of bank statements and either an employer's reference or the last three years of audited accounts for loans over £500,000. Beginning in March 2004,

the Initial Lender generally operated the following policy in respect of the verification of a prospective borrower's income details. Under this policy, the Initial Lender defined income verification requirements based on whether the customer was "employed" or "self-employed". Proof of income for employed prospective borrowers applying for Loans could typically be established by:

- three monthly payslips from the six-month period prior to the date of the loan application plus the borrower's most recent form P60 (in the case of a prospective borrower with a low credit score);
- two monthly payslips from the six-month period prior to the date of the loan application plus the borrower's most recent form P60 (in the case of a prospective borrower with a medium credit score); or
- the borrower's most recent monthly payslip (in the case of a prospective borrower with a high credit score).

Proof of income for self-employed prospective borrowers could typically be established by:

- a certificate from the borrower's accountant in acceptable form, the borrower's accounts for the three years prior to the date of the loan application or the borrower's tax assessments for the three years prior to the date of the loan application (in the case of a prospective borrower with a low credit score); or
- a certificate from the borrower's accountant in acceptable form, the borrower's accounts for the two years prior to the date of the loan application or the borrower's tax assessments for the two years prior to the date of the loan application (in the case of a prospective borrower with a medium or high credit score).

In May 2001 the Initial Lender introduced its fast track programme to prospective borrowers for certain Loan products. If a Loan was judged appropriate for the fast track programme, income was accepted as stated by the prospective borrower without further proof once positive identification of the borrower was provided and the borrower had passed the Initial Lender's credit scoring test. In order to qualify, the prospective borrower had to have a valuation made on the mortgaged property and had to meet certain requirements set by the Initial Lender with respect to the value of the mortgaged property and the LTV ratio of the Loan. The minimum value of the mortgaged property required and the maximum LTV ratio allowed for the fast track programme each varied over time. At different times during the period May 2001 through March 2004, the Initial Lender required that a prospective borrower eligible for the fast track programme have a property value ranging from at least £100,000 to at least £150,000 and have applied for a Loan with an LTV ratio ranging from no greater than 60% to no greater than 85%. Borrowers of Together Loans were ineligible for the fast track programme.

In March 2004, the Initial Lender discontinued the fast track programme in favour of a new set of procedures under which verification of a borrower's income was not required in certain circumstances. For Loans with an LTV ratio no greater than 85% (or no greater than 80% in the case of Loans in excess of £500,000) a borrower receiving a medium to high credit score did not need to provide proof of income. First time buyers, borrowers with low credit scores, borrowers employed less than six months and borrowers of Together Loans were ineligible for a non-verified Loan. In August 2006, the Initial Lender made some minor amendments to its income verification process and procedures and reinstated the fast track name. Subsequently, in order to be eligible for the fast track programme, the Initial Lender required that a prospective borrower have a valuation made on the mortgaged property, have a

property value of at least £100,000 confirmed by a valuation report and be applying for a Loan with an LTV ratio no greater than 85% (or no greater than 80% in the case of Loans in excess of £500,000, an amount that was increased to £1,000,000 in October 2006). First time buyers and borrowers of Together Loans were ineligible for a fast track Loan.

Income verification may also not have been obtained in relation to requests for a further advance or if the borrower was moving from one property (for which the Initial Lender was the mortgagee) to another property.

As at the Portfolio Reference Date, based on information provided by the Initial Lender, the maximum indexed current loan to value (the **Indexed Current LTV**) of Loans in the Portfolio is 95 per cent.

(b) *Valuation*

The Initial Lender required that a valuation of the property be obtained either from its in-house valuation department (consisting of suitably-qualified valuers) or from an independent firm of professional valuers selected from a panel of approved valuers. The Initial Lender required professional indemnity insurance to be held by panel valuers.

(c) *Property types*

The Initial Lender applied certain criteria in determining the eligibility of properties to serve as security for Loans. Under these criteria, eligible property types included freehold, heritable and leasehold houses, leasehold flats (other than in Scotland, where non-leasehold flats could generally be considered). In the case of a Loan secured by a leasehold property, the Initial Lender required that the unexpired term of the lease be at least 30 years from the end of the agreed Loan term.

The Initial Lender was able to consider some property types that did not meet its usual lending criteria on a case-by-case basis.

(d) *Loan amount*

Generally, the loan amount was able to vary according to the application in question, subject to the Initial Lender's discretion. As at the Portfolio Reference Date, the maximum size of any Loan in the Portfolio is £1,175,950. As at the Portfolio Reference Date, the average size of any Loan in the Portfolio is £77,755.

(e) *Original Term*

For the period from 2003 through November 2004, each Loan was required to have an initial term of between seven and 30 years (in the case of a Together Connections Loan) or between seven and 35 years in the case of all other Loans. From December 2004 on, each Loan was required to have an initial term of between seven and 35 years. The origination of the relevant Loan was in accordance with the Originator's origination policies, subject to certain exceptions as was acceptable to the Originator. As at the Portfolio Reference Date, the maximum original term of the Loans in the Portfolio is 468 months.

(f) *Age of applicant*

The first named Borrower in respect of a Together Loan or a Together Connections Loan was required to be aged 21 or over. All Borrowers in respect of all other Loans were required to be aged 18 or over. There were no maximum age limits; however, if the applicant was aged

55 or over and the loan would extend into retirement age, the Initial Lender would have to be satisfied that the applicant would have sufficient pensionable income or income from alternative sources to cover the Loan.

(g) *Status of applicant(s)*

The maximum loan amount of the Loan(s) under a mortgage account was determined by a number of factors, including the applicant's income. In determining income, the Initial Lender included basic salary along with performance or profit-related pay, allowances, mortgage subsidies, pensions, annuities, overtime, bonus and commission.

The Initial Lender deducted the annual cost of existing commitments of 12 months or more from the applicant's gross income.

Where there were two applicants, the Initial Lender added joint incomes together for the purposes of calculating the applicants' total income. In determining the loan amount available to the applicants the Initial Lender could use the higher of the joint income multiplied by the appropriate income multiple or the highest of the two incomes multiplied by the appropriate income multiple plus the lower income. The Initial Lender could at its discretion consider the income of one additional applicant as well, but only at a maximum income multiple of one.

The Initial Lender could exercise discretion within its lending criteria in applying those factors that were used to determine the maximum amount an applicant could borrow. Accordingly, these parameters could vary for some Loans. The Initial Lender could take the following into account when applying discretion: credit score result, existing customer relationship, LTV and total income needed to support the Loan.

(h) *Credit history*

(i) Credit search

A credit search was carried out in respect of all applicants. Applications could be declined where an adverse credit history was revealed (for example, the lending criteria from July 2005 onward specifically refer to the adverse impact of any county court judgment (or the Scottish equivalent), default or bankruptcy notice).

(ii) *Existing lender's reference*

In some cases the Initial Lender could seek a reference from any existing and/or previous lender.

(i) *Scorecard*

The Initial Lender used some of the criteria described here and various other criteria to produce an overall score for the application that reflected a quantitative measure of the risk of advancing the Loan. With respect to the lending criteria beginning in July 2005, full use was made of its bespoke and in-house software technology in credit scoring new applications. Credit scoring applies statistical analysis to publicly available data, closed user group data obtained from credit reference agencies and customer-provided data to assess the likelihood of a mortgage account going into arrears. The Initial Lender also used behavioural scoring, which uses customer data on existing accounts and closed user group data obtained from credit reference agencies to make further lending decisions, calculate impairment allowances and prioritise action in case of arrears.

The Initial Lender reserved the right to decline an application that had achieved a passing score. From July 2005 onward, the lending criteria did specifically provide for an appeals process if an applicant believed that his/her application had been unfairly declined.

Initial Lender's discretion to lend outside of its lending criteria

On a case-by-case basis, and within approved limits as detailed in the Initial Lender's lending criteria, the Initial Lender could have determined that, based upon compensating factors, a prospective borrower that did not strictly qualify under its lending criteria at that time warranted an underwriting exception. The Initial Lender could take into account compensating factors including, but not limited to, a low LTV ratio, stable employment and time in residence at the applicant's current residence.

Maximum LTV ratio

From 2003 until November 2004, the maximum LTV ratio permitted for prospective borrowers applying for Loans secured by mortgaged properties valued up to £250,000 was 95% of the lower of the purchase price or valuation of the mortgaged property determined by the relevant valuation. The maximum LTV ratio permitted for prospective borrowers applying for Loans secured by mortgaged properties valued between £250,000 and £1,000,000 was 90% of the lower of the purchase price or valuation of the mortgaged property determined by the relevant valuation. The maximum LTV ratio permitted for prospective borrowers applying for Loans secured by mortgaged properties valued over £1,000,000 was 85% of the lower of the purchase price or valuation of the mortgaged property determined by the relevant valuation. From December 2004 on, the maximum LTV ratio permitted for prospective borrowers applying for Loans secured by mortgaged properties valued up to £300,000 was 95% of the lower of the purchase price or valuation of the mortgaged property determined by the relevant valuation. The maximum LTV ratio permitted for prospective borrowers applying for Loans secured by mortgaged properties valued between £300,000 and £1,000,000 was 90% of the lower of the purchase price or valuation of the mortgaged property determined by the relevant valuation. The maximum LTV ratio permitted for prospective borrowers applying for Loans secured by mortgaged properties valued over £1,000,000 was 85% of the lower of the purchase price or valuation of the mortgaged property determined by the relevant valuation.

In the case of a purchase of a mortgaged property, the Initial Lender determined the current market value of that mortgaged property (which was used to determine the maximum amount of the Loan permitted to be made by the Initial Lender) to be the lower of:

- the valuation made by an independent valuer from the panel of valuers appointed by the Initial Lender or an employee valuer of the Initial Lender; or
- the purchase price for the mortgaged property paid by the prospective borrower.

If a Borrower or a prospective borrower applied to remortgage its current mortgaged property, the Initial Lender determined the current market value of the mortgaged property (for the purpose of determining the maximum amount of the loan available) by using the then current valuation of the mortgaged property as determined using the process described under "*Lending criteria – (b) Valuation*" above.

Beginning in April 2005, if the Borrower applied for a further advance, the Initial Lender determined the current market value of the mortgaged property by using either an indexed valuation figure provided by a UK pricing index, a desktop valuation by an employee valuer of the Initial Lender or the then current valuation of the mortgaged property as determined using the process described under "*Lending criteria – (b) Valuation*" above.

Insurance on the property

A Borrower was required to arrange for insurance on the mortgaged property for an amount equal to the full rebuilding cost of the property. The Borrower may either purchase the insurance through an insurer arranged by the Initial Lender (an **Initial Lender arranged insurer**), or the Borrower or landlord (for a leasehold property) may arrange for the insurance independently.

Initial Lender arranged buildings insurance policies

The solicitor, licensed or qualified conveyancer acting for the Initial Lender was required to ensure that buildings insurance cover is taken out by the relevant borrower prior to the completion of each mortgage loan. If a borrower asked the Initial Lender to arrange insurance on its behalf, a policy will be issued by an Initial Lender arranged insurer. The policy will provide the Borrower with rebuilding insurance up to an amount equal to the actual rebuilding cost. Standard policy conditions applied, which were renegotiated periodically by the Initial Lender with the Initial Lender arranged insurer. Amounts paid under the insurance policy are generally utilised to fund the reinstatement of the property or are otherwise paid to the lender to reduce the amount of the mortgage loan(s).

Borrower or landlord-arranged buildings insurance policies and the contingency insurance policy

If a Borrower elected not to take up an Initial Lender arranged insurance policy, or if a Borrower who originally had an Initial Lender arranged insurance policy confirmed that he or she no longer requires such insurance, that Borrower was sent an "**alternative insurance requirements**" form. The Borrower was required to acknowledge that he is responsible for arranging an alternative insurance policy which covers the rebuilding cost of the property and to request joint insured status for the seller.

It is possible that the Initial Lender and the Issuer may not be insured under any buildings policy noted above and, therefore, it may not have the benefit of any security over such policies. If such risks are not covered by any contingent policy and the relevant Borrower does not pay amounts due on the mortgage loan, then the Issuer may receive less funds than it expected, which may have an adverse effect on its ability to make payments in respect of the Notes.

Remediation

Certain issues particularly relating to compliance with debated provisions of the CCA, including as regards notices and statements, have been identified as potentially adversely affecting the Loans. The Original Seller has given to the Seller certain indemnities and the right, subject to conditions, to require other issues both already identified and identified before June 2017 to be remediated, subject to certain caps on liability.

Credit Risk Mitigation

The Retention Holder has entered into certain contracts for the purchase, on-sale and servicing of the Portfolio. The Transaction Documents contain certain provisions, and certain parties to the transaction (including the Servicer) maintain certain criteria, policies and procedures, regarding the selection, administration of the mortgage portfolio and credit risk mitigation, as follows:

- (a) the Servicing Agreement provides that the Legal Title Holder will not agree to any request for a Further Advance under a Loan unless it is contractually required to do so by the Mortgage Conditions or by applicable law or regulation; in the extension of any such credit, the Legal Title Holder will apply certain criteria for the granting of credit in the form of such Further Advance, and has in place processes for approving, amending or renewing such credit (please see "*Summary of the Key Transaction Documents – Servicing Agreement*");

- (b) the Servicer, and any delegate of the Servicer, has in place and operates effective systems to manage the on-going administration and monitoring of the Portfolio, including for identifying and managing problem loans (please see "*Summary of the Key Transaction Documents – Servicing Agreement*");
- (c) the Retention Holder purchased the Portfolio (as part of a wider portfolio) having regard to the diversification of such wider portfolio (of which the Portfolio forms part thereof) based on its credit strategy (please see "*Characteristics of the Provisional Portfolio*"); and
- (d) the Servicer, and any delegate of the Servicer, has in place written policies on credit risk mitigation techniques as it relates to Loans in arrears and default, which describes how and when enforcement may occur (please see "*Summary of the Key Transaction Documents – Servicing Agreement*").

CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this Prospectus (including the tables below) has been compiled by reference to loans in a provisional portfolio as at 30 June 2016 (the **Portfolio Reference Date**) (the **Provisional Portfolio**).

The Provisional Portfolio consisted of 11,273 Sub-Accounts and secured over properties located in England and Wales or Scotland. The aggregate Current Balance of the Sub-Accounts in the Provisional Portfolio on the Portfolio Reference Date was £876,534,561.01. The Portfolio, which will be sold to the Issuer on the Closing Date, will be selected from the Provisional Portfolio. Columns may not add up to 100% due to rounding. The Properties over which the Loans in the Provisional Portfolio are secured have not been revalued for the purposes of the issue of the Notes. Since the Portfolio will not be identical to the Provisional Portfolio, the characteristics provided herein with respect to the Provisional Portfolio will not be identical to the characteristics of the Portfolio. The characteristics of the Portfolio will also differ from those set out below as a result of, among other things, repayments and redemptions of the Loans from the Portfolio Reference Date to the Closing Date and removal of any Loans that do not comply with the Loan Warranties as at the Closing Date. If Loans selected for the Portfolio are repaid in part or in full between the Portfolio Reference Date and the Closing Date, adjustments will be made in the Consideration payable by the Issuer to the Seller and an amount equal to the principal recoveries from that Loan will form part of the Available Principal Receipts. Similarly, any Loans that are removed from the Portfolio will result in an adjustment to the Consideration payable by the Issuer to the Seller. As a result of the differences between the Provisional Portfolio and the Portfolio, there can be no assurance that the performance of the Provisional Portfolio will be indicative of the performance of the Portfolio. Except as otherwise indicated, these tables have been prepared using the Current Balance of the loans in the Provisional Portfolio as at the Portfolio Reference Date. All indexations are based on the regional quarterly non-seasonally adjusted index from the Halifax House Price Index.

Each Loan in the Provisional Portfolio consists of one or more live sub-accounts (**Sub-Accounts**). Each Sub-Account in respect of a Loan is secured on the same Property and their Related Security but may differ in some way as to, *inter alia*, origination date, interest rate, maturity date and repayment terms.

Key Collateral Highlights

Overview	
Aggregate Current Balance	£876,534,561.01
Number of Sub-Accounts	11,273
Number of Loans	9,160
Average Current Loan Size⁽¹⁾	£77,755 ⁽¹⁾
WA Original LTV	82.4%
WA Indexed LTV	61.7%
WA Interest Rate	4.4%
WA Seasoning in months	124.4
WA reversion months⁽²⁾	44.3 ⁽²⁾
WA Remaining Term in months	180.6
BBR Index	7.7%
SVR Index	89.8%
Interest-Only	48.6%
Fast Track	36.4%

Performing Loans 100.00%

- (1) Calculated based on the current balance of the sub-accounts
 (2) The WA months remaining before the modified fixed rate payment reverts to a standard variable rate mortgage ("SVR"). Calculation excludes loans with a reversion month of 0.

Current Balances as at the Portfolio Reference Date

The following table shows the range of Current Balances (including capitalised interest and capitalised fees) of the Sub-Accounts as at the Portfolio Reference Date.

Loan Current Balance (GBP)	Aggregate Current Balance	Percent of Total
< 50,000	£91,337,972	10.42%
≥ 50,000 and < 100,000	£304,928,221	34.79%
≥ 100,000 and < 150,000	£226,902,736	25.89%
≥ 150,000 and < 200,000	£111,366,343	12.71%
≥ 200,000 and < 250,000	£49,302,372	5.62%
≥ 250,000 and < 300,000	£32,236,133	3.68%
≥ 300,000 and < 350,000	£17,062,355	1.95%
≥ 350,000 and < 400,000	£11,970,352	1.37%
≥ 400,000 and < 450,000	£9,253,348	1.06%
≥ 450,000	£22,174,729	2.53%
Total	£876,534,561	100.00%

Indexed Current Loan to Value Ratios (ICLTVs)

The following table shows the range of ICLTVs of the Sub-Accounts calculated by dividing the aggregate Current Balance of all Sub-Accounts with respect to each Loan (including capitalised interest and capitalised fees) as at the Portfolio Reference Date by the latest valuation amount of the Property securing the Sub-Accounts indexed using the regional quarterly non-seasonally adjusted Lloyds House Price Index from the date of the latest valuation (or 1 January 1983, whichever is later) until Q2 2016.

Indexed Current LTV	Aggregate Current Balance	Percent of Total
<50%	£215,701,379	24.61%
≥50% and < 60%	£143,254,975	16.34%
≥60% and <70%	£189,837,351	21.66%
≥70% and <80%	£181,481,013	20.70%
≥80% and < 90%	£115,958,494	13.23%
≥90% and <100%	£30,301,350	3.46%
Total	£876,534,561	100.00%

The weighted average ICLTV as at the Portfolio Reference Date of the Sub-Accounts is 61.70%.

Months in Arrears as at the Portfolio Reference Date*

The following table shows the range of Months in Arrears of the Sub-Accounts as at the Portfolio Reference Date.

Months in Arrears**	Aggregate Current Balance	Percent of Total
< 30 days	£876,534,561	100.00%
≥30 and < 60 days	£0	0.00%
≥60 and < 90 days	£0	0.00%
≥ 90 days	£0	0.00%
Total	£876,534,561	100.00%

* Months in Arrears are calculated in accordance with standard market practice in the UK. A loan is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. If the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or exceeds one the loan is deemed to be in arrears. Arrears classification is determined based on the number of full monthly payments that have been missed, hence the term **Months in Arrears**. A borrower that has missed payments that in the aggregate equal or exceed two monthly payments (but for which the aggregate of missed payments is less than three monthly payments) would be classified as being between two Months in Arrears, and so on.

** The calculations have been performed at the borrower level and is a weighted average across of all main accounts of each Borrower.

Geographic Region

The following table shows the distribution of geographic region of Properties securing the Sub-Accounts throughout England, Wales and Scotland as at the Portfolio Reference Date. No Properties are situated outside England, Wales and Scotland.

UK Region	Aggregate Current Balance	Percent of Total
South West	£82,662,049	9.43%
East Midlands	£55,249,561	6.30%
Greater London	£64,643,000	7.37%
South East	£203,161,093	23.18%
Yorkshire & Humberside	£79,955,228	9.12%
North	£51,643,325	5.89%
West Midlands	£70,600,792	8.05%
North West	£116,767,110	13.32%
East Anglia	£30,690,623	3.50%
Scotland	£86,542,833	9.87%
Wales	£34,618,947	3.95%
Total	£876,534,561	100.00%

Seasoning as at the Portfolio Reference Date

The following table shows the range of the number of months since the completion dates of the Sub-Accounts as at the Portfolio Reference Date.

Seasoning* (months)	Aggregate Current Balance	Percent of Total
< 100	£1,448,271	0.17%
≥ 100 and < 120	£406,950,532	46.43%
≥120 and < 140	£352,581,122	40.22%

Seasoning* (months)	Aggregate Current Balance	Percent of Total
≥140 and < 160	£93,933,164	10.72%
≥160 and < 180	£21,621,472	2.47%
Total	£876,534,561	100.00%

* The low seasoning in certain instances is due to the porting of loans. When a loan is ported, the old loan is treated as having been repaid and, once the porting is completed, it is treated as a new loan.

The maximum, minimum and weighted average seasoning of the sub-accounts as at the portfolio reference date is 174,87,28.23 and 124.47 months respectively.

Remaining Term as at the Portfolio Reference Date

The following table shows range of the number of months until the maturity dates of the Sub-Accounts as at the Portfolio Reference Date.

Remaining Term (months)	Aggregate Current Balance	Per.cent of Total
< 60	£46,649,796	5.32%
≥ 60 and <120	£111,192,576	12.69%
≥ 120 and < 180	£303,442,361	34.62%
≥ 180 and < 240	£215,537,906	24.59%
≥ 240 and < 300	£120,434,401	13.74%
≥ 300 and < 360	£79,277,521	9.04%
Total	£876,534,561	100.00%

The maximum, minimum and weighted average remaining term of the Sub-Accounts as at the Portfolio Reference Date is 314.00, 0.00 and 180.56 months respectively.

Repayment Type

The following table shows the repayment type of the Sub-Accounts as at the Portfolio Reference Date.

Repayment Method	Aggregate Current Balance	Percent of Total
Interest Only	£426,109,663	48.61%
Repayment	£449,120,742	51.24%
Part & Part	£1,304,156	0.15%
Total	£876,534,561	100.00%

Interest Rate Type

The following table shows the interest rate type of the Sub-Accounts as at the Portfolio Reference Date.

Base Index	Aggregate Current Balance	Percent of Total
SVR	£786,889,613	89.77%
BBR	£67,885,697	7.74%
Fixed*	£21,759,251	2.48%

Base Index	Aggregate Current Balance	Percent of Total
Total	£876,534,561	100.00%

* Fixed Rate Loans are loans which are currently set at a fixed rate of interest. These loans may switch to a floating rate of interest at a future date, which will be set based on SVR.

Current Interest Rates

The following table shows range of Current Interest rates for the Sub-Accounts as at the Portfolio Reference Date.

Current Interest rates (%)	Aggregate Current Balance	Percent of Total
<3.50	£67,908,949	7.75%
≥ 3.50 and <4.00	£6,002,388	0.68%
≥ 4.00 and < 4.50	£1,619,776	0.18%
≥ 4.50 and < 5.00	£786,061,956	89.68%
≥ 5.00 and < 5.50	£11,899,304	1.36%
≥ 5.50 and < 6.00	£2,909,769	0.33%
≥ 6.00 and < 7.00	£132,419	0.02%
Total	£876,534,561	100.00%

The weighted average Current Interest rate as at the Portfolio Reference Date of the Sub-Accounts is 4.38%.

Gross Margin

The following table shows range of gross margins for the Sub-Accounts as at the Portfolio Reference Date.

Gross Margin (%)	Aggregate Current Balance	Current Balance %
<0.00	£785,407,849	89.60%
≥ 0.00 and ≤ 0.50	£63,455,525	7.24%
≥ 0.50 and ≤ 1.00	£26,219,225	2.99%
≥ 1.00 and ≤ 1.50	£1,215,689	0.14%
≥ 1.50 and ≤ 2.00	£236,273	0.03%
Total	£876,534,561	100.00%

* In respect of the Fixed Rate Loans, gross margin is difference between the fixed rate coupon and the SVR; gross margin may be negative as SVR Loans may have loyalty discounts or for Fixed Rate Loans the SVR may be higher than the fixed rate coupon.

Sub-Account Status

The following table shows the status of Sub-Accounts as at the Portfolio Reference Date.

Account Status	Aggregate Current Balance	Percent of Total
Performing	£876,534,561	100.00%
Arrears*	£0	0.00%
Default**	£0	0.00%

Account Status	Aggregate Current Balance	Percent of Total
Total	£876,534,561	100.00%

* Reflects Loans which are less than 30 days in arrears; for statistical information in respect of Loans which are more than 30 days in arrears, please see table "*Months in Arrears as at the Portfolio Reference Date*" above.

** Defaulted means the property has been repossessed.

Property Type

The following table shows the types of properties secured by the Loans as at the Portfolio Reference Date.

Property type	Aggregate Current Balance	Percent of Total
Bungalow	£34,530,122	3.94%
Detached House	£165,463,944	18.88%
Flat or Apartment	£97,932,364	11.17%
Maisonette	£12,484,270	1.42%
Semi Detached House	£224,997,940	25.67%
Terraced House	£299,527,836	34.17%
Other	£41,598,086	4.75%
Total	£876,534,561	100.00%

Year of origination

The following table shows the year of origination of the Loans as at the Portfolio Reference Date.

Loan Origination year*	Aggregate Current Balance	Percent of Total
2001	£117,824	0.01%
2002	£17,295,577	1.97%
2003	£38,982,959	4.45%
2004	£77,197,938	8.81%
2005	£181,236,643	20.68%
2006	£376,254,503	42.93%
2007	£184,000,846	20.99%
2012	£1,367,798	0.16%
2013	£80,473	0.01%
Total	£876,534,561	100.00%

* Year of origination may be very recent due to porting of loans. When a loan is ported, the old loan is treated as having been repaid, and once the porting is completed, it is treated as a new loan.

Tenure

The following table shows the nature of tenure of the properties secured by the Loans as at the Portfolio Reference Date.

Tenure	Aggregate Current Balance	Percent of Total
Freehold	£674,374,272	76.94%
Leasehold	£114,784,199	13.10%

Tenure	Aggregate Current Balance	Percent of Total
Feudal	£62,231	0.01%
Unknown	£87,313,858	9.96%
Total	£876,534,561	100.00%

Income Verification

The following table shows the income verification of the primary borrower for the Sub-Accounts as at the Portfolio Reference Date.

Income Verification for Primary Income	Aggregate Current Balance	Percent of Total
Verified	£557,248,656	63.57%
Non-Verified Income (FastTrack)	£319,285,905	36.43%
Total	£876,534,561	100.00%

Employment Status

The following table shows the employment status of the primary borrower for the Sub-Accounts as at the Portfolio Reference Date.

Employment Status	Aggregate Current Balance	Percent of Total
Full Time Employment	£682,499,718	77.86%
Self-Employed	£164,886,055	18.81%
Employed	£3,939,980	0.45%
Student	£2,001,888	0.23%
Contract	£4,035,016	0.46%
Part Time Employment	£7,247,698	0.83%
Retired	£6,758,240	0.77%
Other	£5,165,967	0.59%
Total	£876,534,561	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. No assurance can be given that the Loans in the Portfolio are or will be representative of the information set out in the tables or generally to the performance of the UK housing market. For information relating to the loans contained in the Provisional Portfolio (from which the Portfolio will be selected), see further the section entitled "*Characteristics of the Provisional Portfolio*".

Industry CPR rates

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

Quarter	Industry CPR Rate for the Quarter (per cent.)	12-month rolling average (per cent.)
March 1999	12.32%	-
June 1999	15.96%	-
September 1999	17.55%	-
December 1999	16.47%	15.57%
March 2000	13.62%	15.90%
June 2000	15.31%	15.73%
September 2000	15.97%	15.34%
December 2000	15.67%	15.14%
March 2001	15.38%	15.58%
June 2001	18.23%	16.31%
September 2001	20.25%	17.39%
December 2001	20.06%	18.48%
March 2002	18.75%	19.32%
June 2002	21.10%	20.04%
September 2002	23.63%	20.89%
December 2002	22.89%	21.59%
March 2003	21.24%	22.22%
June 2003	22.43%	22.55%
September 2003	24.03%	22.65%
December 2003	24.87%	23.14%
March 2004	21.22%	23.14%
June 2004	22.93%	23.26%
September 2004	24.27%	23.32%
December 2004	20.85%	22.32%
March 2005	17.96%	21.50%
June 2005	21.32%	21.10%
September 2005	24.29%	21.10%
December 2005	24.61%	22.04%
March 2006	22.27%	23.12%
June 2006	23.37%	23.64%
September 2006	24.95%	23.80%
December 2006	24.87%	23.87%
March 2007	23.80%	24.25%
June 2007	24.84%	24.61%

Quarter	Industry CPR Rate for the Quarter (per cent.)	12-month rolling average (per cent.)
September 2007	25.48%	24.74%
December 2007	23.55%	24.42%
March 2008	19.56%	23.36%
June 2008	20.88%	22.37%
September 2008	20.15%	21.03%
December 2008	15.33%	18.98%
March 2009	12.91%	17.32%
June 2009	11.39%	14.95%
September 2009	12.77%	13.10%
December 2009	11.99%	12.27%
March 2010	9.97%	11.53%
June 2010	11.01%	11.44%
September 2010	11.76%	11.18%
December 2010	11.39%	11.03%
March 2011	10.40%	11.14%
June 2011	11.00%	11.14%
September 2011	12.37%	11.29%
December 2011	11.86%	11.41%
March 2012	10.97%	11.55%
June 2012	11.27%	11.62%
September 2012	11.53%	11.41%
December 2012	11.82%	11.40%
March 2013	11.38%	11.50%
June 2013	13.00%	11.93%
September 2013	14.67%	12.72%
December 2013	14.94%	13.50%
March 2014	13.53%	14.03%
June 2014	14.21%	14.34%
September 2014	15.16%	14.46%
December 2014	14.24%	14.28%
March 2015	13.01%	14.15%
June 2015	13.99%	14.10%
September 2015	15.19%	14.11%
December 2015	15.45%	14.41%
March 2016	15.10%	14.93%
June 2016	15.11%	15.21%

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

Repossession rate

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

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

Source: Council of Mortgage Lenders

House price to earnings ratio

The following table shows the ratio for each year of the average annual value of houses compared to the average annual salary in the United Kingdom. The average annual earnings figures are constructed using the Annual Survey of Hours and Earnings figures 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 Loan.

Year	House Price to Earnings Ratio	Year	House Price to Earnings Ratio
1994	4.52	2004	7.59
1995	4.36	2005	7.73
1996	4.38	2006	7.96
1997	4.58	2007	8.34
1998	4.77	2008	7.68
1999	5.06	2009	7.01
2000	5.61	2010	7.24
2001	5.65	2011	6.98
2002	6.42	2012	6.91
2003	7.13	2013	7.01
		2014	7.47
		2015	7.73

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	per cent. annual change	Index	per cent. annual change	Index	per cent. annual change
March 1989	111.7	7.7%	118.8	32.0%	217.8	32.1%
June 1989	114.9	8.2%	124.2	27.2%	226.8	25.9%
September 1989	116.0	7.7%	125.2	15.5%	227.3	14.3%
December 1989	118.3	7.6%	122.7	7.4%	222.8	5.1%
March 1990	120.4	7.8%	118.9	0.1%	220.7	1.3%
June 1990	126.0	9.7%	117.7	-5.2%	224.3	-1.1%
September 1990	128.1	10.4%	114.2	-8.8%	224.2	-1.4%
December 1990	130.1	10.0%	109.6	-10.7%	222.9	0.0%
March 1991	130.8	8.6%	108.8	-8.5%	220.2	-0.2%
June 1991	133.6	6.0%	110.6	-6.0%	223.2	-0.5%
September 1991	134.2	4.8%	109.5	-4.1%	220.8	-1.5%

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	per cent. annual change	Index	per cent. annual change	Index	per cent. annual change
December 1991	135.50	4.2%	107.00	-2.3%	217.50	-2.4%
March 1992	136.2	4.1%	104.1	-4.3%	210.6	-4.4%
June 1992	139.1	4.1%	105.1	-5.0%	210.4	-5.7%
September 1992	139.0	3.6%	104.2	-4.8%	208.4	-5.6%
December 1992	139.6	3.0%	100.1	-6.5%	199.3	-8.4%
March 1993	138.7	1.8%	100.0	-3.9%	196.9	-6.5%
June 1993	140.9	1.3%	103.6	-1.4%	203.2	-3.4%
September 1993	141.3	1.7%	103.2	-1.0%	204.2	-2.0%
December 1993	141.8	1.6%	101.8	1.8%	202.5	1.6%
March 1994	142.0	2.4%	102.4	2.4%	202.3	2.7%
June 1994	144.5	2.6%	102.5	-1.1%	204.3	0.5%
September 1994	144.6	2.3%	103.2	0.0%	204.3	0.0%
December 1994	145.5	2.6%	104.0	2.1%	200.9	-0.8%
March 1995	146.8	3.4%	101.9	-0.5%	200.3	-1.0%
June 1995	149.5	3.5%	103.0	0.5%	201.0	-1.6%
September 1995	149.9	3.7%	102.4	-0.8%	199.0	-2.6%
December 1995	150.1	3.2%	101.6	-2.3%	197.8	-1.5%
March 1996	150.9	2.8%	102.5	0.6%	200.9	0.3%
June 1996	152.8	2.2%	105.8	2.7%	208.6	3.8%
September 1996	153.1	2.1%	107.7	5.2%	209.8	5.4%
December 1996	154.0	2.6%	110.1	8.3%	212.6	7.5%
March 1997	154.9	2.7%	111.3	8.6%	215.3	7.2%
June 1997	156.9	2.7%	116.5	10.1%	222.6	6.7%
September 1997	158.4	3.5%	121.2	12.5%	223.6	6.6%
December 1997	159.7	3.7%	123.3	12.1%	224.0	5.4%
March 1998	160.2	3.4%	125.5	12.7%	226.4	5.2%
June 1998	163.2	4.0%	130.1	11.7%	234.9	5.5%
September 1998	163.7	3.3%	132.4	9.2%	236.1	5.6%
December 1998	164.4	2.9%	132.3	7.3%	236.3	5.5%
March 1999	163.7	2.2%	134.6	7.3%	236.3	4.4%
June 1999	165.5	1.4%	139.7	7.3%	247.7	5.4%
September 1999	165.6	1.2%	144.4	9.0%	256.7	8.7%
December 1999	166.8	1.5%	148.9	12.6%	263.4	11.5%
March 2000	167.5	2.3%	155.0	15.1%	270.5	14.5%
June 2000	170.6	3.1%	162.0	16.0%	275.6	11.3%
September 2000	170.9	3.2%	161.5	11.8%	277.6	8.1%
December 2000	172.0	3.1%	162.8	9.4%	278.3	5.7%
March 2001	171.8	2.6%	167.5	8.1%	279.0	3.1%
June 2001	173.9	1.9%	174.8	7.9%	297.0	7.8%
September 2001	174.0	1.8%	181.6	12.5%	305.0	9.9%
December 2001	173.8	1.0%	184.6	13.4%	310.9	11.7%
March 2002	173.9	1.2%	190.2	13.6%	324.3	16.2%
June 2002	176.0	1.2%	206.5	18.1%	346.6	16.7%
September 2002	176.6	1.5%	221.1	21.7%	369.1	21.0%
December 2002	178.2	2.5%	231.3	25.3%	393.0	26.4%
March 2003	179.2	3.0%	239.3	25.8%	400.1	23.4%
June 2003	181.3	3.0%	250.1	21.1%	422.5	21.9%
September 2003	181.8	2.9%	258.9	17.1%	437.6	18.6%
December 2003	182.9	2.6%	267.1	15.5%	453.5	15.4%
March 2004	183.8	2.6%	277.3	15.9%	474.0	18.5%
June 2004	186.3	2.8%	296.2	18.4%	513.2	21.5%
September 2004	187.4	3.1%	306.2	18.3%	527.2	20.5%
December 2004	189.2	3.4%	304.1	13.9%	522.0	15.1%
March 2005	189.7	3.2%	304.8	9.9%	520.2	9.7%

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	per cent. annual change	Index	per cent. annual change	Index	per cent. annual change
June 2005	191.9	3.0%	314.2	6.1%	532.1	3.7%
September 2005	192.6	2.8%	314.4	2.7%	543.1	3.0%
December 2005	193.7	2.4%	314.0	3.2%	548.4	5.1%
March 2006	194.2	2.4%	319.8	4.9%	552.6	6.2%
June 2006	197.6	3.0%	329.2	4.8%	582.1	9.4%
September 2006	199.3	3.5%	336.1	6.9%	586.7	8.0%
December 2006	201.4	4.0%	343.2	9.3%	602.8	9.9%
March 2007	203.0	4.5%	350.2	9.5%	613.9	11.1%
June 2007	206.3	4.4%	362.7	10.2%	644.1	10.7%
September 2007	207.1	3.9%	367.3	9.3%	649.3	10.7%
December 2007	209.8	4.2%	367.0	6.9%	634.4	5.2%
March 2008	211.1	4.0%	357.8	2.2%	620.9	1.1%
June 2008	215.3	4.4%	348.1	-4.0%	605.1	-6.1%
September 2008	217.4	5.0%	329.5	-10.3%	568.9	-12.4%
December 2008	215.5	2.7%	312.9	-14.7%	531.5	16.2%
March 2009	210.9	-0.1%	298.7	-16.5%	512.5	17.5%
June 2009	212.6	-1.3%	307.3	-11.7%	514.3	15.0%
September 2009	214.4	-1.4%	319.5	-3.0%	526.5	-7.5%
December 2009	216.9	0.6%	323.4	3.4%	537.3	1.1%
March 2010	219.3	4.0%	324.9	8.8%	539.0	5.2%
June 2010	223.5	5.1%	336.6	9.5%	546.6	6.3%
September 2010	224.5	4.7%	333.9	4.5%	540.4	2.6%
December 2010	227.0	4.7%	325.1	0.5%	528.8	-1.6%
March 2011	230.9	5.3%	323.9	-0.3%	523.2	-2.9%
June 2011	234.9	5.1%	332.7	-1.2%	527.2	-3.5%
September 2011	236.2	5.2%	332.3	-0.5%	528.0	-2.3%
December 2011	238.6	5.1%	328.7	1.1%	522.0	-1.3%
March 2012	239.6	3.8%	324.6	0.2%	520.1	-0.6%
June 2012	242.2	3.1%	329.1	-1.1%	524.7	-0.5%
September 2012	243.1	2.9%	327.0	-1.6%	521.8	-1.2%
December 2012	246.0	3.1%	325.0	-1.1%	520.5	-0.3%
March 2013	247.4	3.3%	325.3	0.2%	525.7	1.1%
June 2013	249.7	3.1%	333.7	1.4%	544.4	3.8%
September 2013	250.9	3.2%	341.0	4.3%	554.2	6.2%
December 2013	252.5	2.6%	348.0	7.1%	559.5	7.5%
March 2014	253.9	2.6%	355.3	9.2%	571.2	8.7%
June 2014	256.0	2.5%	372.1	11.5%	592.2	8.8%
September 2014	256.9	2.4%	376.7	10.5%	607.6	9.6%
December 2014	257.4	1.9%	377.0	8.3%	602.9	7.8%
March 2015	256.4	1.0%	376.2	5.9%	617.3	8.1%
June 2015	258.5	1.0%	387.5	4.1%	648.9	9.6%
September 2015	259.3	0.9%	390.5	3.7%	659.7	8.6%
December 2015	260.0	1.0%	393.1	4.3%	660.0	9.5%
March 2016	260.0	1.4%	396.1	5.3%	692.4	12.2%
June 2016	262.2	1.4%	407.4	5.1%	701.4	8.1%

Source: Office for National Statistics, Council of Mortgage Lenders

The percentage annual change in the table above is calculated in accordance with the following formula:

$x/y-1$ where x is equal to the current quarter's index value and y is equal to the index value of the previous year's corresponding quarter.

All information contained in this Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society, which is available on its website, <http://www.nationwide.co.uk/about/house-price-index/headlines>, but which is not incorporated by reference into this Prospectus. All information contained in this Prospectus in respect of the Halifax House Price Index has been reproduced from information published by HBOS plc, which is available on its website, <http://www.halifax.co.uk/house-price-index/>, but which is not incorporated by reference into this Prospectus. The Issuer confirms that all information in this Prospectus in respect of the Nationwide House Price Index and the Halifax House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society and HBOS plc, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the Issuer nor Nationwide Building Society nor HBOS plc makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information.

WEIGHTED AVERAGE LIVES OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions. For example, the table below is prepared based on the assumptions that:

- (a) calculations of possible average lives of the Notes assume a flat Bank of England Base Rate of 0.25% and a flat SVR of 4.64%;
- (b) the Issuer exercises its option to redeem the Notes in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) on the Step-Up Date, in the first scenario, or the Issuer does not exercise its option to redeem the Notes on or after the Step-Up Date, in the second scenario;
- (c) the Loans are subject to a constant annual rate of repayment (exclusive of scheduled principal redemptions) of between 0 per cent. and 35 per cent. per annum as shown on the table below;
- (d) the assets of the Issuer are not sold by the Security Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*);
- (e) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (f) no Borrowers are offered and accept different mortgage products or Flexible Drawings or Further Advances by the Seller or any of its subsidiaries and the Seller is not required to repurchase any Loan (including any Further Advance thereon since the Closing Date) in accordance with the Mortgage Sale Agreement;
- (g) the Security is not enforced;
- (h) the Loans continue to be fully performing and there are no arrears;
- (i) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (j) there are no reconciliation amounts to consider;
- (k) the Loans are sold to the Issuer for value as at the Cut-Off Date, therefore the accrual of cash flows starts at the Cut-Off Date;
- (l) the statistical calculation date of the Loans is 30th June 2016 and the Cut-Off Date for these purposes is 31 October 2016;
- (m) the Interest Payment Dates are on 15th day of every quarter, or if such day is not a Business Day, the immediately following Business Day, with the first Interest Payment Date being on or about 15th March 2017;
- (n) scheduled amortisation is calculated on an individual Loan basis in accordance with the contractual repayment terms of each Loan within the Portfolio and is initially aggregated on a monthly basis;

- (o) unscheduled amortisation is calculated on an aggregate basis by adjusting the scheduled amortisation in each period by the annualised constant prepayment rate;
- (p) the annualised constant prepayment rate consists of both partial and full prepayments of the principal under the Loans;
- (q) the interest, prepayments and scheduled payments of the Loans, and the weighted average lives of the Notes, are calculated on an Actual/365 basis;
- (r) there is no debit balance on the Class A Principal Deficiency Ledger on any Interest Payment Date;
- (s) no Servicer Termination Event has occurred;
- (t) for any SVR loan that is currently not eligible for a loyalty discount but for which may be eligible for a loyalty discount at a future date, a loyalty discount of -0.25% is applied at such future date;
- (u) the ratio of the Principal Amount Outstanding of the Class A Notes to the Current Balance of the Portfolio as at the Closing Date is 86.5 per cent.;
- (v) the Notes are issued on or about 9 November 2016.

CPR	Assuming Issuer call on Step-Up Date Possible Average Life of Class A Notes (years)	Assuming no Issuer call Possible Average Life of Class A Notes (years)
0%	4.62	9.58
5%	4.03	6.57
10%	3.50	4.70
15%	3.04	3.54
20%	2.62	2.80
25%	2.25	2.29
30%	1.93	1.93
35%	1.65	1.65

Assumption (a) (in relation to the Issuer exercising its option to redeem the Class A Notes on the Step-Up Date) in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) reflects the current intention of the Issuer but no assurance can be given that such assumption will occur as described.

Assumption (b) is stated as an average annualised repayment rate (CPR) as the prepayment rate for one Interest Period may be substantially different from that for another. The constant prepayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant repayment rates.

Assumptions (b) to (v) (inclusive) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*", above.

UNITED KINGDOM TAXATION

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs (HMRC) practice relating to certain aspects of United Kingdom taxation. 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 (possibly with retrospective effect). Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek professional advice.

In this summary references to "Notes" and "Noteholder" exclude the Class Z VFN and the Class Z VFN Holder. The Class Z VFN Holder is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Class Z VFN under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the Class Z VFN Holder may be subject to tax.

1. Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Main Securities Market of the Irish Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), 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).

2. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (commonly known as FATCA) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a **Recalcitrant Holder**). The Issuer may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. This foreign passthru payment withholding would potentially apply to payments in respect of (i) any characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payments" are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have entered into or have agreed in substance to intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the **Model 1 IGA** released by the United States, an FFI in an IGA signatory country generally will be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives if it reports certain information in respect of its accounting holders and investors to its home government or to the IRS. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being a **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the **U.S.-UK IGA**) based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the U.S.-UK IGA, it does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA, or (ii) an investor is a Recalcitrant Holder.

While the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under or in respect of the Notes by the Issuer, any paying agent or the Common Safekeeper given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may convert into definitive form and therefore that they may cease to be held through the ICSDs. If this were to happen then, depending on the circumstances, a non-FATCA-compliant holder could be subject to FATCA Withholding. **FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the Model IGAs, all of which are subject to change or may be implemented in a materially different form.**

SUBSCRIPTION AND SALE

BAWAG P.S.K., Barclays Bank PLC (**Barclays** and the **Arranger**), CGML and Credit Suisse (CGML, Credit Suisse, and together with Barclays, each a Joint Lead Manager and together the **Joint Lead Managers**) have, pursuant to a subscription agreement dated on or about 10 November 2016 between BAWAG P.S.K., the Arranger, the Joint Lead Managers and the Issuer (the **Subscription Agreement**), agreed with the Issuer (subject to certain conditions) to subscribe and pay for on the Closing Date:

- (A) in the case of the Joint Lead Managers £500,000,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes;
- (B) in the case of BAWAG P.S.K.:
 - (i) £170,000,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes; and
 - (ii) £250,000,000 (of which £116,219,000 shall be subscribed for as at the Closing Date) of the Class Z VFN at the issue price of 100 per cent. of the aggregate principal amount of the Class Z VFN as at the Closing Date.

The Joint Lead Managers may sell their allocation of Class A 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 A Notes.

The Issuer has agreed to indemnify BAWAG P.S.K., the Arranger and 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 Class A Notes to the Irish Stock Exchange and the admission of the Class A Notes to trading on the Irish Stock Exchange's Main Securities Market, no action has been taken by the Issuer, BAWAG P.S.K. or the Joint Lead Managers, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

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, BAWAG P.S.K. has undertaken that it will, *inter alia*, 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 and Article 51(1) of AIFMR. As at the Closing Date, such retention requirement will be satisfied by BAWAG P.S.K. holding the first loss tranche as required by paragraph (d) of Article 405(1) of the CRR and paragraph (d) of Article 51(1) of the AIFMR (comprising the Class Z VFN). Any change to the manner in which such interest is held will be notified to the Noteholders.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration

requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each of the Joint Lead Managers and BAWAG P.S.K. has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. See "*Transfer Restrictions and Investor Representations*" below.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers and BAWAG P.S.K. has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Joint Lead Managers and BAWAG P.S.K. has acknowledged that, save for the Issuer having obtained the approval of the Prospectus as a prospectus in accordance with the Prospectus Directive and having applied for the admission of the Class A Notes to the Irish Stock Exchange and admission of the Class A Notes to trading on the Irish Stock Exchange, no further action has been or will be taken in any jurisdiction by the Joint Lead Managers and BAWAG P.S.K. that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

General

No action has been taken by the Issuer, BAWAG P.S.K. or the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Joint Lead Managers and BAWAG P.S.K. has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales by the Joint Lead Managers

The Notes (including interests therein represented by a Global Note, a Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Each purchaser (other than the Joint Lead Managers and/or the Class Z VFN Holder) of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S) unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and, in any case, only in accordance with any applicable securities law of any state or other jurisdiction of the United States. If the purchaser is purchasing the Notes within the period beginning on the later of the commencement of the offering of the Notes and the closing of the offering of the Notes and ending 40 days thereafter, such purchaser is not a U.S. person and is not acquiring the Notes for the account or benefit of a U.S. person;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;
- (c) the Issuer, the Arranger, the Joint Lead Managers, the Class Z VFN Registrar and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

Additional representations and restrictions applicable to a Class Z VFN

Any holder of a Class Z VFN may only make a transfer of the whole of its Class Z VFN or create or grant any encumbrance in respect of such Class Z VFN if all of the following conditions are satisfied:

- (a) the holder of such Class Z VFN making such transfer or subjecting the Class Z VFN to such encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the holder of such Class Z VFN or any other person in relation to such transfer or encumbrance;
- (b) the holder of such Class Z VFN has received the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee (the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders);
- (c) the person to which such transfer is to be made falls within paragraph 3 of Schedule 2A of the Insolvency Act 1986;
- (d) the transferee of such Class Z VFN is independent of the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006); and
- (e) the transferee is a Qualifying Noteholder.

The Class Z VFN Registrar shall not pay any relevant Interest Amount to the holder of a Class Z VFN and such holder shall not be entitled to receive such relevant Interest Amount on any Interest Payment Date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided to the Issuer a tax certificate substantially in the form set out in Schedule 1 (Form of Tax Certificate) of the Agency Agreement and the Issuer (or the Cash Manager on behalf of the Issuer in accordance with the terms of the Cash Management Agreement) has confirmed in writing to the Class Z VFN Registrar that such Interest Amount in respect of the Class Z VFN can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The Class Z VFN Registrar shall upon receipt of such confirmation make a note of such confirmation in the Class Z VFN Register.

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Class A Notes to the Irish Stock Exchange and the admission of the Class A Notes to trading on the Irish Stock Exchange's Main Securities Market will be granted on or around 11 November 2016. The Class Z VFN will not be listed.
2. Neither the Issuer nor the Holdings has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 11 May 2016 (being the date of incorporation of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2016. So long as any of the Class A Notes are admitted to trading on the Irish Stock Exchange's Main Securities Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Notes are admitted to the Irish Stock Exchange and to trading to the Irish Stock Exchange's Main Securities Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 11 May 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 8 November 2016.
8. The Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Code:

Class of Notes	ISIN	Common Code
Class A Notes	XS1514988689	151498868

9. From the date of this Prospectus and for so long as the Class A Notes are listed on the Irish Stock Exchange's Main Securities Market, copies of the following documents (in both electronic and hard copy format) 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:
 - (i) the Agency Agreement;

- (ii) the Deed of Charge;
- (iii) the Deed of Covenant;
- (iv) the Cash Management Agreement;
- (v) the Master Definitions and Construction Schedule;
- (vi) the Mortgage Sale Agreement;
- (vii) the Corporate Services Agreement;
- (viii) the Bank Account Agreement;
- (ix) the Servicing Agreement;
- (x) the Master Servicer and Legal Title Holder Deed;
- (xi) the Back-Up Servicing Agreement;
- (xii) the Trust Deed;
- (xiii) the Seller Power of Attorney;
- (xiv) the Collection Account Declaration of Trust Accession Undertaking;
- (xv) the Issuer Power of Attorney;
- (xvi) the Legal Title Holder Power of Attorney;
- (xvii) the Loan Management Deed;
- (xviii) the Scottish Declaration of Trust;
- (xix) the Scottish Trust Security;
- (xx) the Servicer Power of Attorney; and
- (xxi) the Share Trust Deed.

10. The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, inter alia, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the following website at www.usbank.com/abs. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
11. The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. 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. Walkers Listing Services Limited is acting solely in its capacity as listing agent in connection with the Class A Notes and is not itself seeking admission of the Class A Notes to the Irish Stock Exchange or to trading on its Main Securities Market of the Irish Stock Exchange.
13. The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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