

## IMPORTANT NOTICE

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT IN CERTAIN TRANSACTIONS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This prospectus has been delivered to you on the basis that you are a person into whose possession this prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this prospectus to any other person. In order to be eligible to view this prospectus or make an investment decision with respect to the securities, investors must not be U.S. persons (within the meaning of Regulation S under the Securities Act). This prospectus is being sent at your request and by accessing the prospectus, you shall be deemed to have confirmed and represented to us that (i) you have understood and agree to the terms set out herein, (ii) you consent to delivery of the prospectus by electronic transmission, (iii) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia and (iv) if you are a person in the United Kingdom, then you are a person who (A) has professional experience in matters relating to investments within Article 19 of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the “FPO”) or (B) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Finsbury Square 2016-1 plc, the Joint Lead Managers (as defined herein) nor any person who controls any of them respectively (nor any director, officer, employee or agent of it or affiliate of any such person)

accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers (as defined herein).

## FINSBURY SQUARE 2016-1 PLC

*(Incorporated under the laws of England and Wales with limited liability under registered number 9998450)*

Notes	Initial Principal Amount	Issue Price	Interest Reference Rate on Floating Rate Notes	Fixed Rate of Interest on Fixed Rate Notes	Relevant Margin prior to Step-Up Date (May 2019)	Relevant Margin following Step-Up Date (May 2019)	Final Maturity Date	Ratings Moody's/ Fitch/
A .....	£299,200,000	100%	Three- Month Sterling LIBOR	N/A	1.50% per annum	2.25% per annum	February 2058	Aaa by Moody's and AAA by Fitch
B .....	£15,840,000	100%	Three- Month Sterling LIBOR	N/A	2.85% per annum	3.85% per annum	February 2058	Aa1 by Moody's and AA by Fitch
C .....	£15,840,000	100%	Three- Month Sterling LIBOR	N/A	3.80% per annum	4.80% per annum	February 2058	A1 by Moody's and A by Fitch
D .....	£10,560,000	100%	Three- Month Sterling LIBOR	N/A	4.50% per annum	5.50% per annum	February 2058	Baa1 by Moody's and BBB by Fitch
E .....	£10,560,000	100%	Three- Month Sterling LIBOR	N/A	3.00% per annum	5.50% per annum	February 2058	Caa2 by Moody's
X .....	£4,400,000	99.30%	Three- Month Sterling LIBOR	N/A	5.00% per annum	5.00% per annum	February 2058	Ca by Moody's and BB by Fitch
Z .....	£7,040,000	100%	Three- Month Sterling LIBOR	N/A	6.00% per annum	9.00% per annum	February 2058	N/A
Certificate .....	N/A	N/A	N/A	N/A	N/A	N/A	February 2058	N/A

The date of this Prospectus is 26 April 2016

*Arranger*

**Bank of America Merrill Lynch**

*Joint Lead Managers*

**Bank of America Merrill Lynch**

**Citigroup**

**J.P. Morgan**

<b>Issue Date</b>	The Issuer expects to issue the Notes and the Certificates in the classes set out above on 28 April 2016 (the “ <b>Issue Date</b> ”).
<b>Underlying Assets</b>	<p>The Issuer will make payments on the Notes and the Certificates from, <i>inter alia</i>, payments of principal and revenue received from a portfolio comprising mortgage loans acquired by Kayl PL S.à r.l (“<b>Kayl</b>”) and Koala Warehouse Limited (“<b>KWL</b>”) respectively and secured over residential properties located in England and Wales which will be purchased by the Issuer on the Issue Date. Substitution of the loans contained in the Mortgage Pool may occur in accordance with the terms described herein.</p> <p>Please refer to the section entitled “<i>Constitution of the Mortgage Pool—The Mortgage Pool</i>” for further information.</p>
<b>Credit Enhancement</b>	<ul style="list-style-type: none"> <li>• amounts standing to the credit of the General Reserve Fund Ledger to support the A Notes, the B Notes, the C Notes and the D Notes;</li> <li>• any Available Revenue Funds in excess of senior costs; interest due on and remedying any Principal Deficiency on the A Notes, the B Notes, the C Notes, the D Notes and the E Notes and certain amounts credited to the General Reserve Fund (“<b>Excess Spread</b>”) (if any); and</li> <li>• the subordination of junior ranking Notes upon enforcement.</li> </ul> <p>Please refer to the section entitled “<i>Credit Structure</i>” for further information.</p>
<b>Liquidity Support</b>	<ul style="list-style-type: none"> <li>• Following the Liquidity Reserve Fund Trigger Event, amounts standing to the credit of the Liquidity Reserve Fund Ledger to make up any Revenue Shortfalls in respect of the A Notes and, subject to the relevant PDL Condition, the B Notes;</li> <li>• Amounts standing to the credit of the General Reserve Fund Ledger to make up any Shortfalls in respect of the A Notes, the B Notes, the C Notes and the D Notes;</li> <li>• Available Principal Funds applied to make up any Revenue Shortfall in respect of the A Notes; and</li> <li>• Available Principal Funds applied to make up any Interest Shortfall in respect of the B Notes, the C Notes and the D Notes, in each case subject to the relevant PDL Condition.</li> </ul> <p>Please refer to the section entitled “<i>Credit Structure</i>” for further information.</p>

## Redemption Provisions

Information on any optional and mandatory redemption of the Notes is summarised on page 13 (“*Transaction Overview—Terms and Conditions of the Notes and Certificates—Redemption*”) and set out in full in Note Condition 5 (*Redemption*).

## Credit Rating Agencies

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 Community and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Each of Moody’s and Fitch is established in the EU and is registered under the CRA Regulation. S&P is established in the EU and is registered under the CRA Regulation but, for the avoidance of doubt, has not been engaged to assign any ratings to the Notes.

## Credit Ratings

Ratings are expected to be assigned to the A Notes, the B Notes, the C Notes, the D Notes the E Notes and the X Notes (together the “**Rated Notes**”) as set out above on or before the Issue Date.

The ratings assigned by the Rating Agencies address, *inter alia*:

- in respect of the A Notes, the B Notes, the C Notes and the D Notes, the likelihood of full and timely payment of interest due to the holders of such A Notes, B Notes, C Notes and D Notes on each Interest Payment Date;
- in respect of the E Notes and the X Notes, the likelihood of full and ultimate payment to the holders of the E Notes and the X Notes of all payments of interest on the Final Maturity Date; and
- full payment of principal due to the holders of the Rated Notes by a date that is not later than the Final Maturity Date for the Rated Notes.

**The assignment of ratings to the Rated Notes is not a recommendation to invest in the Rated Notes. Any credit rating assigned to the Rated Notes may be revised or withdrawn at any time.**

## **Listing**

This document comprises a prospectus (the “**Prospectus**”), for the purpose of Directive 2003/71/EC as amended (the “**Prospectus Directive**”). This Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange (the “**Irish Stock Exchange**”) for the Notes to be admitted to the official list and to trading on its regulated market. There can be no assurance that any such approval will be granted or, if granted, that such listing will be maintained. The regulated market (the “**Main Securities Market**”) of the Irish Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”).

## **Obligations**

The Notes and the Certificates will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes and the Certificates will not be obligations of, and will not be guaranteed by, or be the responsibility of any Transaction Party other than the Issuer.

## **Definitions**

Please refer to the section entitled “*Glossary of Defined Terms*” for definitions of defined terms.

## **Retention Undertaking**

Kayl Holdco S.à r.l. (“**Kayl Holdco**”) will undertake in the Retention Letter that it will retain, on an ongoing basis as an originator within the meaning of Article 405(1)(d) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “**CRR**”), material net economic interest of at least 5 per cent. in the securitisation, in accordance with the CRR and Article 51(1)(d) of the AIFMD Level 2 Regulation and Article 254(2)(d) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the “**Solvency II Delegated Act**”) (the “**Retention Requirement**”). In order to satisfy the Retention Requirement on the Issue Date, Kayl Holdco will hold exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool as at the Issue Date so as to hold exposure to the Retained Interest at not less than the Retention Requirement. On the

Issue Date this will represent an economic outlay and downside exposure of Kayl Holdco. Any change to the manner in which such interest is held will be notified to investors.

Certain undertakings are given by Kayl Holdco in the Retention Letter concerning the Retention Requirement.

### **Volcker Rule**

The Issuer is of the view that it is not now, and immediately following the issuance of the notes and the application of the proceeds thereof it will not be, a “covered fund” as defined in the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the “Volcker Rule”. Although other exclusions may be available to the Issuer, this conclusion is based on the exemption from the definition of “investment company” in the Investment Company Act provided by Section 3(c)(5)(C) thereunder.

*Please refer to the section entitled “Certain Regulatory Disclosures—Retention Requirements and exposure to the Retained Interest” and “Risk Factors—Compliance with European risk retention requirements”.*

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

THE NOTES AND THE CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE NOTES AND THE CERTIFICATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES LAWS. THE NOTES AND THE CERTIFICATES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE NOTES AND THE CERTIFICATES WILL ONLY BE OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS PURSUANT TO THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT. THERE IS NO UNDERTAKING TO REGISTER THE NOTES OR THE CERTIFICATES UNDER STATE OR FEDERAL SECURITIES LAW. THE NOTES AND THE CERTIFICATES CANNOT BE SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT IS AVAILABLE.

Each initial and subsequent purchaser of Notes or Certificates will be deemed, by its acceptance of such Notes or Certificates to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof 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 or other transfer restrictions in certain cases.

The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance is or can be given by the Joint Lead Managers or the Trustee or anyone other than the Issuer as to the adequacy, accuracy or completeness of such information and this Prospectus does not constitute and shall not be construed as any representation or warranty by the Joint Lead Managers or the Trustee or anyone other than the Issuer as to the adequacy, accuracy or completeness of such information contained herein. None of the Joint Lead Managers or the Trustee or anyone other than the Issuer have independently verified any of the information contained herein (financial, legal or otherwise) and in making an investment decision, investors must rely on their own examination of the terms of this Prospectus, including the merits and risks involved. Delivery of this Prospectus to any person other than the prospective investor and those persons, if any, retained to advise such prospective investor with respect to the possible offer and sale of the Notes or Certificates is unauthorised, and any disclosure of any of its contents for any purpose other than considering an investment in the Notes or Certificates is strictly prohibited. A prospective investor shall not be entitled to, and must not rely on, this Prospectus unless it was furnished to such prospective investor directly by the Issuer or the Joint Lead Managers.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of its knowledge and belief (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.

The information contained in this Prospectus in the section headed “*Characteristics of the Provisional Completion Mortgage Pool*” has been extracted from information provided by the Mortgage Administrator. The Issuer accepts responsibility for the accuracy of such extracted information but accepts no further or other responsibility in respect of such information. So far as the Issuer is aware and/or able to ascertain from such information, no facts have been omitted which would render the information inaccurate or misleading. The Issuer has not been responsible for, nor has it undertaken, any investigation or verification of statements, including statements as to foreign law, contained in the information. The Issuer does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information and prospective investors in the Notes and/or Certificates should not rely upon, and should make their own independent investigations and enquiries in respect of, the same.

Where third party information has been used in this Prospectus, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. As far as the Issuer is aware and able to ascertain from the information published by such third party sources, this information has been accurately reproduced and no facts have been omitted that would render the reproduction of this information inaccurate or misleading.

None of the Issuer, the Joint Lead Managers, the Trustee or any other person makes any representation to any prospective investor or purchaser of the Notes and/or Certificates regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations and prospective investors should consult their legal advisers to determine whether and to what extent the investment in the Notes and/or Certificates constitute a legal investment for them.



EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT (I) SUCH PERSON HAS BEEN AFFORDED AN OPPORTUNITY TO REQUEST AND TO REVIEW, AND HAS RECEIVED, ALL ADDITIONAL INFORMATION CONSIDERED BY IT TO BE NECESSARY TO VERIFY THE ACCURACY OF OR TO SUPPLEMENT THE INFORMATION HEREIN, (II) SUCH PERSON HAS NOT RELIED ON THE JOINT LEAD MANAGERS OR ANY PERSON AFFILIATED WITH THE JOINT LEAD MANAGERS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION, (III) NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THE NOTES OTHER THAN AS CONTAINED HEREIN, AND IF GIVEN OR MADE, ANY SUCH OTHER INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED, AND (IV) NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER WILL CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SINCE THE DATE HEREOF. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN BUSINESS, LEGAL AND TAX ADVISERS FOR INVESTMENT, LEGAL AND TAX ADVICE AND AS TO THE DESIRABILITY AND CONSEQUENCES OF AN INVESTMENT IN THE NOTES AND/OR CERTIFICATES.

KENSINGTON MORTGAGE COMPANY LIMITED ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED “*THE MORTGAGE ADMINISTRATOR, THE CASH/BOND ADMINISTRATOR AND THE LEGAL TITLE-HOLDER*”, “*THE LEGAL TITLE-HOLDER*”, “*CONSTITUTION OF THE MORTGAGE POOL*”, “*CHARACTERISTICS OF THE PROVISIONAL COMPLETION MORTGAGE POOL*” AND “*TITLE TO THE MORTGAGE POOL*”. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF KENSINGTON MORTGAGE COMPANY LIMITED (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.

KAYL PL S.À R.L, KOALA WAREHOUSE LIMITED, WELLS FARGO BANK INTERNATIONAL, BNP PARIBAS, LONDON BRANCH, CITIBANK, N.A., BARCLAYS BANK PLC AND STRUCTURED FINANCE MANAGEMENT LIMITED ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED “*THE SELLERS*”, “*THE STANDBY CASH/BOND ADMINISTRATOR*”, “*THE SWAP COUNTERPARTY*”, “*THE ACCOUNT BANK AND THE GIC PROVIDER*”, “*THE COLLECTION ACCOUNTS PROVIDER*”, “*THE MORTGAGE ADMINISTRATION FACILITATOR, THE LEGAL TITLE-HOLDER FACILITATOR AND THE CORPORATE SERVICES PROVIDER*” RESPECTIVELY. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF KAYL PL S.À R.L, KOALA WAREHOUSE LIMITED, WELLS FARGO BANK INTERNATIONAL, BNP PARIBAS, LONDON BRANCH, CITIBANK, N.A., BARCLAYS BANK PLC, STRUCTURED FINANCE MANAGEMENT LIMITED (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE RELEVANT 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.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Notes, and the Certificates, which according to the particular nature of the Issuer, the Notes, and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has 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.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe for or purchase any of the Notes or the Certificates. The distribution of this Prospectus and the offering of the Notes and the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of the Notes and the Certificates and distribution of this Prospectus, see “*Purchase and Sale*” below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or Wells Fargo Trust Corporation Limited (the “**Trustee**”) or the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes or Certificates is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, none of the Joint Lead Managers or the Trustee or anyone other than the Issuer accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by the Joint Lead Managers or the Trustee or any other person or on their behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee or anyone other than the Issuer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

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.

The Notes and the Certificates have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes and the Certificates may not be offered, sold or delivered within the United States or to U.S. persons.

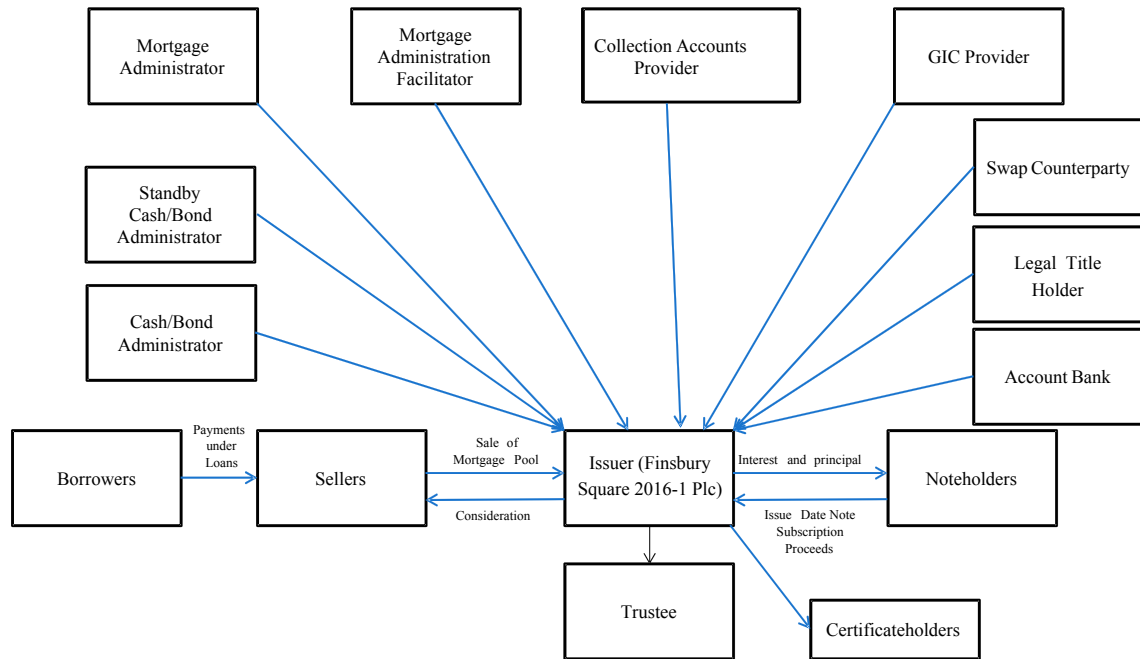
Payments of interest and principal in respect of the Notes and the Certificates will be subject to any applicable withholding taxes without the Issuer being obliged to pay additional amounts thereof. References in this Prospectus to “**£**”, “**pounds**” or “**sterling**” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and references to “**Euro**”, “**EUR**” and “**€**” are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended from time to time.

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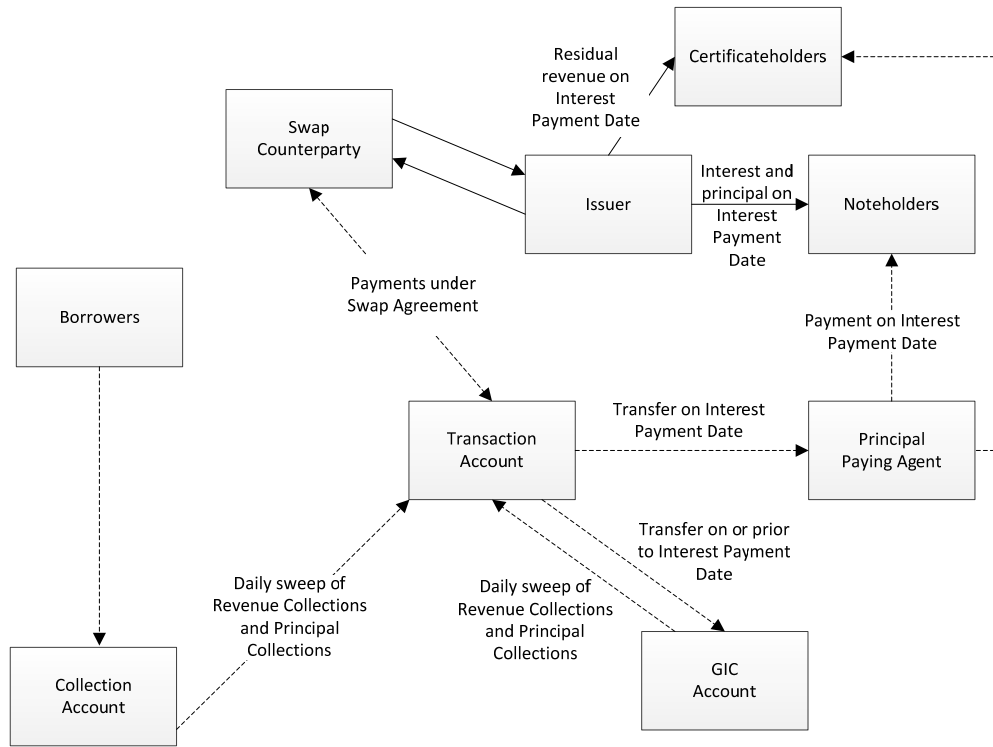
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## Diagrammatic Overview of the Transaction



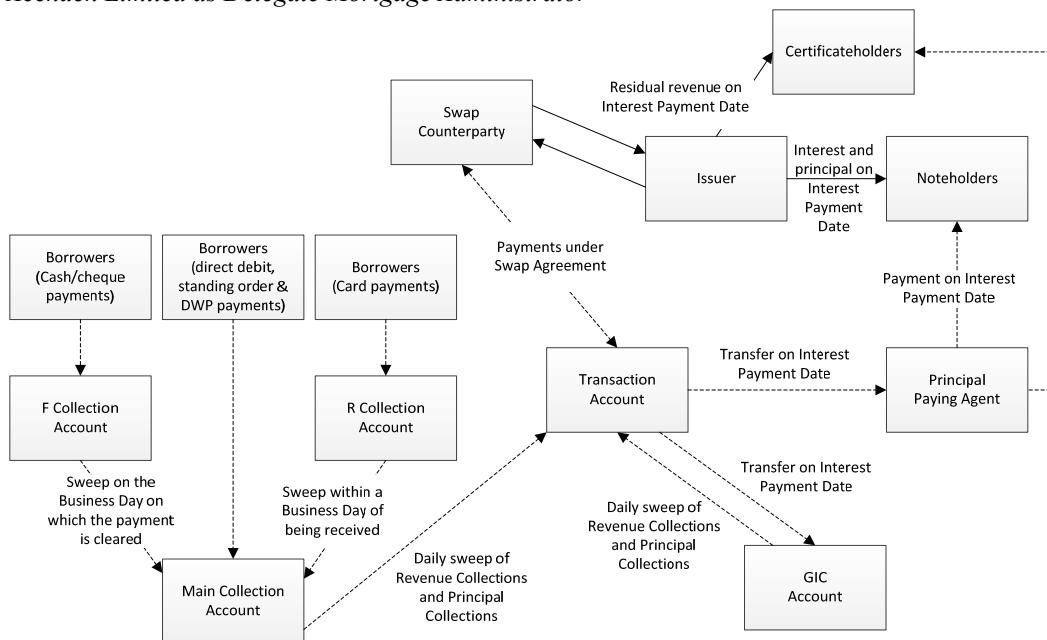
## Diagrammatic Overview of Ongoing Cash Flow

*Homeloan Management Limited as Delegate Mortgage Administrator*



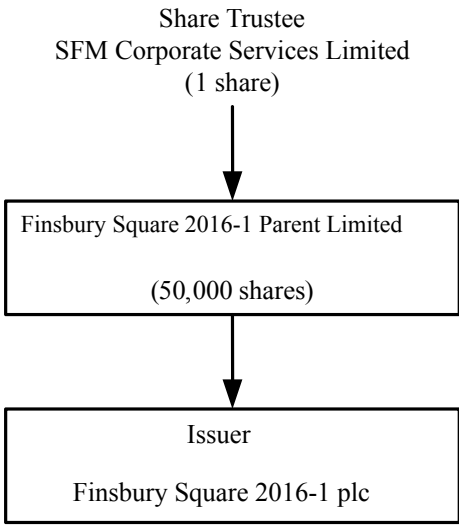
—————> Contractual Obligations  
 - - - - -> Cashflows

*Acenden Limited as Delegate Mortgage Administrator*



—————> Contractual Obligations  
 - - - - -> Cashflows

**Diagrammatic Overview of the Ownership Structure**



## TRANSACTION OVERVIEW

The information set out below is an overview of various aspect 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.

### Transaction Parties on the Issue Date

Party	Name	Address	Document under which appointed/Further information
Arranger	Merrill Lynch International (“ <b>Bank of America Merrill Lynch</b> ”)	2 King Edward Street, London EC1A 1HQ, United Kingdom	N/A.
Joint Lead Managers	Merrill Lynch International	2 King Edward Street, London EC1A 1HQ, United Kingdom	Note Purchase Agreement.
	Citigroup Global Markets Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom	Note Purchase Agreement.
	J.P. Morgan Securities plc	25 Bank Street Canary Wharf London E14 5JP United Kingdom	Note Purchase Agreement.
Issuer	Finsbury Square 2016-1 plc	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	N/A.
Parent	Finsbury Square 2016-1 Parent Limited	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	N/A.
Share Trustee	SFM Corporate Services Limited	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	N/A.
Sellers	Kayl PL S.à r.l.	6, rue Eugène Ruppert, L-2453 Luxembourg	N/A.
	Koala Warehouse Limited	11 Old Jewry, 7 <sup>th</sup> Floor, London EC2R 8DU, United Kingdom	N/A.
Mortgage Administrator	Kensington Mortgage Company Limited	Ascot House Maidenhead Office	Mortgage Administration



<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
		Park Maidenhead SL6 3QQ, United Kingdom	Agreement. See the sections entitled " <i>The Mortgage Administrator; the Cash/Bond Administrator and the Legal Title-Holder</i> " and " <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> " for further information.
Delegate Mortgage Administrator	Prior to the Delegate Mortgage Administrator Migration Date: Homeloan Management Limited	The Pavilions, Bridgewater Road, Bristol BS13 8AE, United Kingdom	HML Mortgage Administration Delegation Agreement
	Following the Delegate Mortgage Administrator Migration Date: Acenden Limited	Ascot House, Maidenhead Office Park, Maidenhead SL6 3QQ, United Kingdom	Acenden Mortgage Administration Delegation Agreement
			See the sections entitled " <i>The Delegate Mortgage Administrator</i> " and " <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> " for further information
Mortgage Administration Facilitator and Legal Title-Holder Facilitator	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP, United Kingdom	Mortgage Administration Agreement. See the section entitled " <i>Administration, Servicing and Cash</i>

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
			<i>Management of the Mortgage Pool</i> ” for further information.
Legal Title-Holder	Kensington Mortgage Company Limited	Ascot House, Maidenhead Office Park, Maidenhead SL6 3QQ, United Kingdom	Kayl/Issuer Mortgage Sale Agreement. KWL/Issuer Mortgage Sale Agreement.
Trustee	Wells Fargo Trust Corporation Limited	One Plantation Place, 30 Fenchurch Street, London EC3M 3BD, United Kingdom	Trust Deed and Deed of Charge. See the Note Conditions for further information.
Corporate Services Provider	Structured Finance Management Limited	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	Corporate Services Agreement.
Cash/Bond Administrator	Kensington Mortgage Company Limited	Ascot House, Maidenhead Office Park, Maidenhead SL6 3QQ, United Kingdom	Cash/Bond Administration Agreement. See the sections entitled “ <i>The Sellers</i> ”, “ <i>The Mortgage Administrator, the Cash/Bond Administrator and the Legal Title-Holder</i> ” and “ <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> ” for further information.
Standby Cash/Bond Administrator	Wells Fargo Bank International	2 Harbourmaster Place, I.F.S.C. Dublin 1, Ireland	Standby Cash/Bond Administration Agreement. See the sections entitled “ <i>The Standby Cash/Bond Administrator</i> ” and “ <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> ” for further information.
Swap Counterparty	BNP Paribas, London	10 Harewood Avenue,	Swap Agreement. See

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
	Branch	London NW1 6AA United Kingdom	the sections entitled “ <i>The Swap Agreement</i> ” and “ <i>The Swap Counterparty</i> ” for further information.
Account Bank	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom	Bank Agreement.
Swap Collateral Account Bank	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom	Swap Collateral Account Bank Agreement.
Collection Accounts Provider	Barclays Bank PLC	1 Churchill Place, London E14 5HP, United Kingdom	Collection Account (Initial) Agreement, Main Collection Account Agreement, F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, R Collection Account Agreement, the R Collection Account Beneficiary Accession Agreement and the R Collection Account Trustee Accession Agreement
GIC Provider	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom	Bank Agreement.
Principal Paying	Citibank, N.A.,	Citigroup Centre,	Paying Agency

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
Agent	London Branch	Canada Square, Canary Wharf, London E14 5LB United Kingdom	Agreement.
Agent Bank	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom	Paying Agency Agreement.
Registrar	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom	Paying Agency Agreement.
Listing Agent	McCann Fitzgerald Listing Services Limited	Riverside One, 37 - 42 Sir John Rogerson's Quay, Dublin 2, Ireland	N/A.
Listing Authority and Stock Exchange	Irish Stock Exchange	28 Anglesea Street, Dublin 2, Ireland	N/A.
Clearing Systems	Euroclear	33 Cannon Street, London EC4M 5SB, United Kingdom	N/A.
	Clearstream, Luxembourg	42 Avenue JF Kennedy, L 1855 Luxembourg	N/A.
Rating Agencies	Moody's Investors Service Ltd	1 Canada Square, London E14 5FA, United Kingdom	N/A.
	Fitch Ratings Limited	30 North Colonnade, London E14 5GN, United Kingdom	N/A.
Auditors	Ernst & Young LLP	1, More London Place, London SE1 2AF, United Kingdom	N/A.

## TRANSACTION OVERVIEW - MORTGAGE POOL AND SERVICING

Please refer to the sections entitled “*Constitution of the Mortgage Pool*”, “*Title to the Mortgage Pool*” and “*Sale of the Mortgage Pool*” for further detail in respect of the characteristics of the Mortgage Pool and the sale and the servicing arrangements in respect of the Mortgage Pool.

### **Sale of Mortgage Pool**

The Mortgage Pool will consist of the Loans, the Collateral Security, and all monies derived therein from time to time, which will be sold by the Sellers to the Issuer on the Issue Date, pursuant to the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement respectively, and shall also comprise any Substitute Loans which shall be sold on the Repurchase Date for any Loan.

The Mortgage Pool comprises Loans secured over properties in England and Wales.

Each Loan and Collateral Security is governed by English law.

In this Prospectus, unless otherwise noted, all references to specified percentages of the Loans are references to those Loans as a percentage of the aggregate principal balances of the Provisional Completion Mortgage Pool.

### **Features of Loans**

The following is a summary of certain features of the Loans as at the Cut-Off Date and investors should refer to, and carefully consider, further details in respect of the Loans set out in “*Characteristics of the Provisional Completion Mortgage Pool*”.

Type of Borrower	Prime
Type of Loan	Repayment Loans or Interest Only Loans or a combination of both
Charge ranking	First charge mortgages only
Self-certified Loans	No
Fast track Loans	No
Buy to let Loans	18.59% of the aggregate Balance of the Loans
Number of Loans	2220

See the section entitled “*Characteristics of the Provisional Completion Mortgage Pool*” for further information.

### **Consideration**

Consideration payable by the Issuer to Kayl in respect of the sale of the Loans and Collateral Security by Kayl pursuant to the Kayl/Issuer Mortgage Sale Agreement shall be (i) equal to an immediate cash payment of £28,052,928 payable on the Issue Date and (ii) delivery of 79 Certificates. This amount may be settled by way of set-off in the event Kayl agrees to subscribe for some or all of the Notes.

Consideration payable by the Issuer to KWL in respect of the sale of the Loans and Collateral Security by KWL pursuant to the KWL/Issuer Mortgage Sale Agreement shall be (i) equal to an immediate cash payment of £326,681,086 payable on the Issue Date and (ii) delivery of 921 Certificates. This amount may be settled by way of set-off in the event KWL agrees to subscribe for some or all

of the Notes.

In the event of a breach of warranty given in respect of the Loans in the Mortgage Pool or a Product Switch Loan being retained within the Mortgage Portfolio following the relevant Product Switch Effective Date which could have a material adverse effect on the value of the relevant Loan and the related Mortgage, and which if capable of remedy, is not so remedied by the relevant Seller, KMC or, where applicable, an affiliate within 21 days of notification of such breach to the relevant Seller and KMC by the Issuer, the relevant Seller and KMC will be required, on a joint and several basis, to (x) make a cash payment equal to the Repurchase Price to the Issuer for such breach of warranty or (y) repurchase, or procure that an affiliate repurchases, the relevant Loan which is subject to a breach of warranty or (z) substitute in Substitute Loans in an amount equal to the Repurchase Price.

In addition, the Legal Title-Holder may, or may be required to, repurchase Loans which are subject to a Product Switch by making a cash payment equal to the Repurchase Price to the Issuer. See “*Product Switches*” below.

#### **Proceeds of the X Notes and the Z Notes**

The proceeds of the X Notes will be used, among other things, to fund the costs and expenses arising in respect of the purchase of Loans and the issuance of the Notes (the “**Issuer Costs and Expenses**”). An amount equal to £1,200,000 shall on the Issue Date be credited to a separate ledger within the Transaction Account (the “**Start-Up Costs Ledger**”) for the payment by the Issuer of such Issuer Costs and Expenses.

Any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date shall be applied as Available Revenue Funds in accordance with the applicable Priority of Payments.

The proceeds of the Z Notes will be used to fund the General Reserve Fund in an amount equal to the General Reserve Fund Required Amount.

#### **Representations and Warranties**

Each Seller will make the Warranties to the Issuer and the Trustee on the Issue Date, in relation to the relevant Loans in the Mortgage Pool on the Issue Date.

The Warranties include (without limitation) the following warranties in respect of each relevant Loan:

- (i) each Mortgage is a first legal mortgage in respect of Properties located in England or Wales;
- (ii) each Borrower is a natural person and was aged 21 years at the date that he or she executed the relevant Mortgage; and
- (iii) no lien or right of set-off or counterclaim has been created or arisen between the Borrower and the relevant Seller or the Legal Title-Holder which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Loan.

The relevant Seller will also make a smaller number of warranties to the Issuer and the Trustee on each Product Loan Effective Date with respect to a Product Switch Loan to be retained within the Mortgage

Pool following the relevant Product Switch Effective Date.

See the section entitled “*Sale of the Mortgage Pool—Warranties and Repurchase*” for further information.

**Repurchase of the Loans and Collateral Security for breach of Warranty**

Each Seller or KMC shall repurchase, or shall procure that an affiliate repurchases, on a joint and several basis, the relevant Loans and their Collateral Security upon breach of Warranties given in respect of the Loans in the Mortgage Pool or a Product Switch Loan being retained within the Mortgage Pool following the relevant Product Switch Effective Date which could have a material adverse effect on the value of the relevant Loan and related Mortgage (other than where such breach was disclosed at the point of sale to the Issuer) and which, if capable of remedy, is not so remedied by the relevant Seller, KMC or, where applicable, an affiliate, within 21 days of notification of such breach to the relevant Seller and KMC by the Issuer.

**Consideration for repurchase**

Consideration payable by each Seller, KMC or, where applicable, an affiliate, in respect of the repurchase of any relevant Loans and their Collateral Security shall be equal to the Repurchase Price.

**Product Switches**

The Legal Title-Holder may offer a Borrower, or a Borrower may request, a Product Switch from time to time. Should a Product Switch be accepted by the Borrower, the Legal Title-Holder shall have the option to repurchase the Product Switch Loan from the Issuer on or prior to the Product Switch Effective Date. Alternatively if (i) an Asset Repurchase Trigger occurs in relation to a Product Switch Loan on the Product Switch Effective Date or (ii) a Liquidity Reserve Fund Trigger Event has occurred on or prior to the Product Switch Effective Date, then the Legal Title-Holder will be required to repurchase that Product Switch Loan from the Issuer on or prior to the Product Switch Effective Date.

Consideration payable by the Legal Title-Holder in respect of the repurchase of any relevant Product Switch Loans and their Collateral Security shall be equal to the Repurchase Price.

See “*Sale of the Mortgage Pool – Product Switch Loans*” and “*Administration, Servicing and Cash Management of the Mortgage Pool - The Mortgage Administration Agreement – Product Switches*” below.

**Shortfall Loans**

Where the Seller has been notified of the existence of a Shortfall Loan the Seller may repurchase such Shortfall Loan from the Issuer by making a cash payment to the Issuer or to such person as the Issuer may direct, in an amount (the “**Shortfall Loan Repurchase Amount**”) equal to the product of (a) the amount outstanding under that Shortfall Loan and (b) 0.50 per cent.

See “*Sale of the Mortgage Pool – Shortfall Loans*”.

**Perfection Events**

See “*Perfection Events*” in the section entitled “*Rights of Noteholders and Relationship with Other Secured Creditors—Triggers Tables—Non Rating Triggers Table*” below.

Legal title to the Loans will not be vested in the Issuer on the Issue Date until certain perfection events occur under the terms of the

**Servicing of the Mortgage Pool,  
the Mortgage Administrator, the  
Delegate Mortgage Administrator  
and the Legal Title-Holder**

Kayl/Issuer Mortgage Sale Agreement and/or the KWL/Issuer Mortgage Sale Agreement (as applicable) (“**Perfection Events**”). Prior to the completion of the transfer of the legal title to the Loans, the Issuer will be subject to certain risks as set out in the sections entitled “*Risk Factors – Set-off risk*”.

The Legal Title-Holder may transfer legal title in the Loans to a duly authorised third party or substitute entity at its discretion subject to receipt by the Issuer of a Rating Agency Confirmation.

The Mortgage Administrator agrees to service the Loans on behalf of the Issuer and the Legal Title-Holder in accordance with the Mortgage Administration Agreement.

In respect of certain specified items, such as the discretionary, as opposed to the procedural, aspects of the enforcement of Loans and their Collateral Security against Borrowers in default and other discretionary matters, the Issuer has delegated certain decision-making powers to the Legal Title-Holder, who will retain those discretionary powers and exercise such discretionary powers pursuant to and in accordance with the Mortgage Administration Agreement.

Under the Mortgage Administration Agreement, the Issuer will grant the Legal Title-Holder full right, liberty and authority from time to time to determine and set the rate or rates of interest applicable to the Loans in accordance with the terms of such Loans and subject to the terms and conditions of the Mortgage Administration Agreement.

On the Issue Date, the Mortgage Administrator will delegate its responsibilities and obligations as Mortgage Administrator to Homeloan Management Limited (“**HML**”) as delegate mortgage administrator pursuant to the HML Mortgage Administration Delegation Agreement.

Amongst other provisions, the HML Mortgage Administration Delegation Agreement will provide that the Mortgage Administrator may transfer HML’s appointment as delegate mortgage servicer to Acenden Limited (“**Acenden**”) by providing written notice to HML provided that the Mortgage Administrator’s delegation of its responsibilities and obligations as Mortgage Administrator to Acenden will be governed by the Acenden Mortgage Administration Delegation Agreement. The date that the transfer of the role of delegate mortgage administrator from HML to Acenden occurs being the “**Delegate Mortgage Administrator Migration Date**”.

Other than with respect to the appointment of Acenden under the Acenden Mortgage Administration Delegation Agreement where no notification or approval is required, provided prior notification has been given to the Issuer, the Trustee and the Rating Agencies, the Mortgage Administrator is permitted to sub contract or delegate its obligations under the Mortgage Administration Agreement subject to the condition that a Rating Agency Confirmation is obtained.

See the sections entitled “*The Mortgage Administrator, the Cash/Bond Administrator and the Legal Title-Holder*” and



*"Administration, Servicing and Cash Management of the Mortgage Pool"*.

Upon the occurrence of a Mortgage Administrator Termination Event, the Issuer (prior to the service of an Enforcement Notice and with the consent of the Trustee) or (after the service of an Enforcement Notice) the Trustee may terminate the agency (and, simultaneously, the rights) of the Mortgage Administrator. Following the occurrence of such a Mortgage Administrator Termination Event, the Issuer (prior to the service of an Enforcement Notice and with the consent of the Trustee) or the Trustee (after the service of an Enforcement Notice) shall give notice in writing to the Mortgage Administration Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administration Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of its selection (the "**Proposed Replacement Mortgage Administrator**") to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Mortgage Administrator, the Issuer shall appoint the Proposed Replacement Mortgage Administrator as Mortgage Administrator on substantially the same terms as set out in the Mortgage Administration Agreement, **provided however that** any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is obtained.

Upon the occurrence of a Legal Title-Holder Termination Event, the Issuer (prior to the service of an Enforcement Notice and with the consent of the Trustee) or (after the service of an Enforcement Notice) the Trustee may give notice to terminate the agency (and, simultaneously, the rights) of the Legal Title-Holder (such termination to be effective once a replacement legal title-holder has been appointed). Following the occurrence of such a Legal Title-Holder Termination Event, the Issuer (prior to the service of an Enforcement Notice and with the consent of the Trustee) or the Trustee (after the service of an Enforcement Notice) shall give notice in writing to the Legal Title-Holder Facilitator of such occurrence and request it to identify and select a replacement legal title-holder. Upon being so notified, the Legal Title-Holder Facilitator shall use reasonable endeavours to identify and select a replacement legal title-holder within 30 calendar days of the occurrence of the applicable Legal Title-Holder Termination Event and provide details of its selection (the "**Proposed Replacement Legal Title-Holder**") to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Legal Title-Holder, the Issuer shall appoint the Proposed Replacement Legal Title-Holder as Legal Title-Holder on substantially the same terms as set out in the Mortgage Administration Agreement, **provided however that** any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is

obtained.

See "*Mortgage Administrator Termination Events*" and "*Legal Title-Holder Termination Events*" in the section entitled "*Rights of Noteholders and Relationship with Other Secured Creditors – Triggers Tables – Non-Rating Triggers Table*" below.

The Mortgage Administrator and/or the Legal Title-Holder may also resign upon giving six months' notice provided, inter alia, a substitute mortgage administrator or substitute legal title-holder (respectively) has been appointed.

**Cash/Bond Administrator**

The Cash/Bond Administrator will delegate certain of its responsibilities and obligations under the Cash/Bond Administration Agreement in relation to bond administration and investor reporting to Wells Fargo Bank International. However, the Cash/Bond Administrator remains liable at all times for the bond administration and investor reporting of the Issuer and for the acts or omissions of any delegate or sub-contractor.

## Full Capital Structure of the Notes and Certificates

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

	Class A	Class B	Class C	Class D	Class E	Class X	Class Z	Certificates
	£							
Currency .....	£	£	£	£	£	£	£	£
Initial Principal Amount.....	£299,200,000	£15,840,000	£15,840,000	£10,560,000	£10,560,000	£4,400,000	£7,040,000	N/A
Credit Enhancement.....	Subordination of B Notes, C Notes, D Notes, and E Notes; Excess Spread; General Reserve Fund	Subordination of C Notes, D Notes and E Notes; Excess Spread; General Reserve Fund	Subordination of D Notes and E Notes; Excess Spread; General Reserve Fund	Subordination of E Notes; Excess Spread; General Reserve Fund	Excess Spread	N/A	N/A	N/A
Liquidity Support.....	General Reserve Fund, Liquidity Reserve Fund and Available Principal Funds to make up a Revenue Shortfall or Shortfall.	General Reserve Fund, Liquidity Reserve Fund and Available Principal Funds to make up a Revenue Shortfall or Shortfall subject to the relevant PDL Condition	General Reserve Fund and Available Principal Funds to make up a Shortfall subject to the relevant PDL Condition	General Reserve Fund and Available Principal Funds to make up a Shortfall subject to the relevant PDL Condition	N/A	N/A	N/A	N/A
Issue Price.....	100%	100%	100%	100%	100%	99.30%	100%	N/A
Interest Reference Rate on Floating Rate Notes.....	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	N/A
Relevant Margin prior to Step-Up Date.....	1.50% per annum	2.85% per annum	3.80% per annum	4.50% per annum	3.00% per annum	5.00% per annum	6.00% per annum	N/A
Relevant Margin following Step-Up Date.....	2.25% per annum	3.85% per annum	4.80% per annum	5.50% per annum	5.50% per annum	5.00% per annum	9.00% per annum	N/A
Step-Up Date.....	Interest Payment Date falling in May 2019							
Interest Accrual Method.....	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365
Interest Payment Dates.....	Interest will be payable in respect of the Notes quarterly in arrear on 16 February, 16 May, 16 August and 16 November in each year or, if such day is not a Business Day, the next following Business Day							
Business Day Convention.....	Following	Following	Following	Following	Following	Following	Following	Following
First Interest Payment Date.....	Interest Payment Date falling in August 2016	Interest Payment Date falling in August 2016	Interest Payment Date falling in August 2016	Interest Payment Date falling in August 2016	Interest Payment Date falling in August 2016	Interest Payment Date falling in August 2016	Interest Payment Date falling in August 2016	Interest Payment Date falling in August 2016
First Interest Period.....	The period from the Issue Date to the first Interest Payment Date.							
Pre-Enforcement Redemption Profile.....	Sequential pass-through redemption. Please refer to Note Condition 5 ( <i>Redemption</i> ).							
Post-Enforcement Redemption Profile.....	Pass-through redemption in accordance with the Post-Enforcement Priority of Payments. Please refer to Note Condition 2(d) ( <i>Post-Enforcement Priority of Payments</i> ).							
Call Option Date.....	Any Interest Payment Date falling on or after May 2019.							
Call Option.....	On the Step-Up Date and on any Interest Payment Date thereafter, the Issuer may redeem the Notes with the proceeds of a sale of the Charged Property pursuant to the Deed Poll provided that such sale proceeds, together with amounts standing to the credit of the Bank Accounts and any other funds available to the Issuer, are sufficient to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes and, (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or <i>pari passu</i> with the Senior Notes on such Interest Payment Date, and (III) any other costs associated with the exercise of the optional call. See Note Condition 5(d)(i) ( <i>Optional Redemption in Full</i> ).							
Clean Up Call.....	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
Pre-Call Redemption.....	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through
Post-Call Redemption Profile.....	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through
Other Early Redemption in Full Events.....	Tax call. Please refer to Note Condition 5(e) ( <i>Optional Redemption for Taxation or Other Reasons</i> ).							
Final Maturity Date.....	Interest Payment Date falling on February 2058	Interest Payment Date falling on February 2058	Interest Payment Date falling on February 2058	Interest Payment Date falling on February 2058	Interest Payment Date falling on February 2058	Interest Payment Date falling on February 2058	Interest Payment Date falling on February 2058	Interest Payment Date falling on February 2058
Form of the Notes.....	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Notes	Registered Global Certificates
Application for Listing.....	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	N/A
Reg S ISIN.....	XS1387828830	XS1387830497	XS1387830570	XS1387830810	XS1387831032	XS1387831461	XS1387835884	XS1388005479
Reg S Common Code.....	138782883	138783049	138783057	138783081	138783103	138783146	138783588	138800547
Clearance/Settlement.....	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg
Minimum Denomination.....	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	N/A

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class X</u>	<u>Class Z</u>	<u>Certificates</u>
Retained Amount .....	A holding of exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool as at the Issue Date so as to hold exposure to the Retained Interest at not less than the Retention Requirement.							

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

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

### **Form, registration and transfer of the Notes**

The Notes of each Class will be represented on issue by beneficial interests in one or more Global Notes in fully registered form, without interest or principal receipts.

The Notes will be deposited on or about the Issue Date with, and registered in the name of, a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg.

Ownership interests in the Global Notes will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream and their respective participants. See “*Description of the Notes in Global Form*” below.

Except in the limited circumstances described herein, Notes in definitive, certificated, fully registered form (“**Definitive Certificates**”) will not be issued in exchange for beneficial interests. See “*Form of the Notes - Exchange for Definitive Certificates*”.

Transfers of interests in the Notes are subject to certain restrictions and must be made in accordance with the procedures set forth in the Trust Deed. See “*Form of the Notes*” and “*Book Entry Clearance Procedures*”. Each purchaser of Notes in making its purchase will be required to make, or will be deemed to have made, certain acknowledgements, representations and agreements. The transfer of Notes in breach of certain of such representations and agreements will result in affected Notes becoming subject to certain forced transfer provisions. See Note Condition 1(b) (*Title and transfer*).

### **Ranking**

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

Class A Notes will rank senior to the other Classes of Notes as to payments of interest and principal at all times.

The Most Senior Class is:

- (a) the A Notes whilst they remain outstanding;
- (b) thereafter the B Notes whilst they remain outstanding;
- (c) thereafter the C Notes whilst they remain outstanding;
- (d) thereafter the D Notes whilst they remain outstanding;
- (e) thereafter the E Notes whilst they remain outstanding;
- (f) thereafter the X Notes whilst they remain outstanding;
- (g) thereafter the Z Notes whilst they remain outstanding; and
- (h) thereafter the Certificates whilst they remain outstanding.

### **Ranking of Payments of Interest:**

Payments of interest on the Notes will be made in the following order of priority:

- (a) *first*, to the A Notes;
- (b) *second*, to the B Notes;

- (c) *third*, to the C Notes;
- (d) *fourth*, to the D Notes;
- (e) *fifth*, to the E Notes;
- (f) *sixth*, to the X Notes; and
- (g) *seventh*, to the Z Notes.

See Note Condition 4 (*Interest*) for further information.

#### **Ranking of Payments of Principal**

Payments of principal on the Notes (other than the X Notes and the Z Notes) will be made in the following order of priority:

- (a) *first*, to the A Notes;
- (b) *second*, to the B Notes;
- (c) *third*, to the C Notes;
- (d) *fourth*, to the D Notes; and
- (e) *fifth*, to the E Notes.

#### **Redemption Event**

Payments of interest and principal on the Notes will be made in accordance with the Post-Enforcement Priority of Payments from (and including) (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable, (ii) the Final Maturity Date, (iii) the Interest Payment Date on which the relevant Notes are redeemed in accordance with Note Condition 5(d) (*Optional Redemption in Full*) or Note Condition 5(e) (*Optional Redemption for Taxation or Other Reasons*) and (iv) the date on which the E Notes have been redeemed in full and (in the case of (ii) to (iv) inclusive) each such date a “**Redemption Event**”.

See Note Condition 5 (*Redemption*) for further information.

#### **Payments on the X Notes, and the Z Notes**

Investors in the X Notes and the Z Notes should also be aware that prior to (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments in respect of the X Notes and the Z Notes shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments.

Following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments in respect of the X Notes and the Z Notes will be made in accordance with the Post-Enforcement Priority of Payments.

Payments in respect of the X Notes and the Z Notes will only be payable to the extent there are residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments (or residual funds under the Post-Enforcement Priority of Payments, if applicable).

No repayment of principal will be made on the Z Notes until the A Notes to the D Notes (inclusive) have been repaid in full.

#### **Payments on the Certificates**

Each Certificate represents a *pro rata* entitlement to receive any residual balance following payment of all senior items in the relevant

Priority of Payments by way of deferred consideration for the purchase by the Issuer of the Completion Mortgage Pool.

Payments in respect of the Certificates shall only be payable (a) out of residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments and (b) at any time out of residual Available Principal Funds (or, in either case, after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, under the Post-Enforcement Priority of Payments). For the avoidance of doubt any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments will first be payable to the holders of X Notes and the Z Notes.

## Security

The Notes and Certificates are secured and will share the Security with other Secured Creditors as set out in, and created pursuant to, the Deed of Charge described in Note Condition 2(b) (*Security*). The Security granted by the Issuer pursuant to the Deed of Charge includes:

- (a) first fixed equitable charges and security in favour of the Trustee over the Issuer's present and future right, title, benefit and interest in, to and under the Loans, the Mortgages and their related Collateral Security;
- (b) an equitable assignment in favour of the Trustee of the Issuer's interests in the Insurance Contracts to the extent that they relate to the Loans;
- (c) an assignment in favour of the Trustee of the Issuer's right, title, interest and benefit in, to and under the Charged Obligation Documents;
- (d) a first fixed charge in favour of the Trustee over (i) the Issuer's interest in the Bank Accounts and any Authorised Investments, (ii) the Issuer's beneficial interest in the Collection Account (Initial), the Main Collection Account, the F Collection Account and the R Collection Account, (iii) the Issuer's interest in the Swap Collateral Accounts and (iv) any other accounts with any bank or financial institution in which the Issuer now or in the future has an interest (to the extent of its interest); and
- (e) a first floating charge in favour of the Trustee (ranking after the security referred to in (a) to (d) (inclusive) above) over the whole of the undertaking, property, assets and rights of the Issuer.

Some of the other secured obligations rank senior to the Issuer's obligations under the Notes and Certificates in respect of the allocation of proceeds as set out in the Post-Enforcement Priority of Payments.

See also the Risk Factor "*Risk Factors—Fixed charges may take effect under English law as floating charges*".

## Interest Provisions

Please refer to "*Transaction Overview - Mortgage Pool and Servicing—Full Capital Structure of the Notes*" and Note Condition 4

*(Interest).*

### **Interest Deferral**

To the extent that, on any Interest Payment Date, the Issuer does not have sufficient funds to pay in full interest on the B Notes, the C Notes or the D Notes, this payment may, provided such Class is not the Most Senior Class, be deferred. To the extent that, on any Interest Payment Date, the Issuer does not have sufficient funds to pay in full interest on the E Notes, the X Notes or the Z Notes, this payment may be deferred. Any amounts of Interest Shortfall will accrue additional interest as described in Note Condition 4(j) (*Deferral of Interest*) and payment of any additional interest will also be deferred. The non-payment of any deferred interest on any of the B Notes to D Notes (inclusive) will not be an Event of Default unless such Notes are the Most Senior Class at the time of non-payment. No Event of Default will occur if there is a non-payment of deferred interest on the E Notes, the X Notes and the Z Notes).

Payment of the shortfall representing Interest Shortfall and such additional interest will be deferred until the first Interest Payment Date on which the Issuer has sufficient funds, **provided that** the payment of such shortfall shall not be deferred beyond the Final Maturity Date, as described in Note Condition 4(j) (*Deferral of Interest*). On such date, any amount which has not by then been paid in full shall become due and payable.

### **Gross-up**

None of the Issuer, the Principal Paying Agent, any other Paying Agent nor any other person will be obliged to gross up payments to the Noteholders or Certificateholders if there is any withholding or deduction for or on account of taxes, or in connection with FATCA, from any payments made to the Noteholders or Certificateholders.

### **Redemption**

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

- (a) mandatory redemption in whole on the Final Maturity Date, as fully set out in Note Condition 5(a) (*Final Redemption of the Notes*);
- (b) mandatory redemption in part on any Interest Payment Date commencing on the first Interest Payment Date, subject to the availability of Available Principal Funds on the basis of sequential pass through redemption, as fully set out in Note Condition 5(b) (*Mandatory Redemption of the Notes*);
- (c) in the event the option set out in the Deed Poll is exercised, mandatory redemption of the Notes in whole (but not in part) on the Step-Up Date and any Interest Payment Date thereafter (the “**Call Option Date**”) with the proceeds of a sale of the Charged Property pursuant to the Deed Poll (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) (as fully set out in Note Condition 5(d)(i) (*Optional Redemption in Full*));
- (d) optional redemption exercisable by the Issuer in whole (but not in part) with the proceeds of a sale of the Charged Property to the Certificateholders (together with any amounts then standing to the credit of the Bank Accounts and any other funds available



to the Issuer, if the aggregate Principal Amount Outstanding of the Senior Notes is less than or equal to 10 per cent. of the aggregate Principal Amount Outstanding of the Senior Notes upon issue, as fully set out in Note Condition 5(d)(ii) (*Optional Redemption in Full*); and

- (e) optional redemption exercisable by the Issuer in whole (but not in part) for tax reasons, as fully set out in Note Condition 5(e) (*Optional Redemption for Taxation or Other Reasons*).

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 together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Notes to be redeemed, in each case up to (but excluding) the date of redemption.

### Relevant Dates and Periods

Issue Date:	The date of initial issuance for the Notes and the Certificates will be 28 April 2016 (or such other date as the Issuer and the Joint Lead Managers may agree).
Interest Payment Date:	Each interest bearing Note will bear interest on its Principal Amount Outstanding from, and including, the Issue Date. Interest will be payable in respect of the Notes quarterly in arrear on 16 February, 16 May, 16 August and 16 November in each year or, if such day is not a Business Day, the next following Business Day. The first Interest Payment Date in respect of the Notes will be the Interest Payment Date falling in August 2016.
Interest Period:	The period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date <b>provided that</b> the first Interest Period shall be the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date.
Business Day:	A day on which commercial banks and foreign exchange markets settle payments in London and Dublin.
Determination Date:	The second Business Day prior to each Interest Payment Date or, if such day is not a Business Day, the immediately preceding Business

Day.

The Determination Date is the date on which the Cash/Bond Administrator will be required to calculate, among other things, the amounts required to pay interest and principal in respect of the Notes (as set out in the Cash/Bond Administration Agreement).

Determination Period:

Each Determination Period is the period ending on the fourth Business Day of the calendar month in which a Determination Date falls and starting on the calendar day immediately following the fourth Business Day of the calendar month in which the immediately preceding Determination Date falls, save in respect of the first Determination Period which shall start on the Issue Date.

Interest Determination Date:

The Agent Bank will, at 11.00 a.m. (London time) on the first day of an Interest Period, determine the rate of LIBOR applicable to, and calculate the amount of interest payable on the relevant Notes for the Interest Period which ends immediately following such Interest Determination Date, **provided however that** with respect to the first Interest Determination Date, such rate shall be set on the Issue Date.

## Events of Default

As fully set out in Note Condition 9 (*Events of Default*), which includes (where relevant subject to the applicable grace period):

- (a) non payment by the Issuer of principal on the Most Senior Class of Notes or interest in respect of the Most Senior Class of Notes (other than the E Notes, the X Notes and the Z Notes) within 10 Business Days following the due date;
- (b) breach of contractual obligations by the Issuer under the Notes or the Trust Deed where such failure continues for a period of 30 days;
- (c) certain insolvency events of the Issuer (as more fully set out in Note Conditions 9(iii) to (v) (*Events of Default*)); or
- (d) it is or will become unlawful for the Issuer to perform or comply with its obligations,

**provided that**, in respect of (b) above, the Trustee shall have

certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class.

**Enforcement**

If an Event of Default has occurred and is continuing, the Trustee may, and shall, if so requested by (a) in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class or (b) by an Extraordinary Resolution of the Noteholders of the Most Senior Class (but, in each case, only if it has been indemnified and/or secured and/or pre-funded to its satisfaction) deliver an Enforcement Notice and institute such proceedings or take such action or steps as it may think fit to enforce payment of the Notes together with accrued interest.

**Limited Recourse**

All the Notes and Certificates are limited recourse obligations of the Issuer and, if the Issuer has insufficient funds to pay amounts in full, amounts outstanding will cease to be due and payable as described in more detail in Note Condition 10(b) (*Limited Recourse*) and Certificates Condition 7(b) (*Limited Recourse*).

**Non-Petition**

The Noteholders or Certificateholders shall not be entitled to take any corporate action or other steps or legal proceedings for the winding up, dissolution, arrangement, reconstruction or reorganisation of the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure is continuing. Please see Note Condition 10(c) (*Non-Petition*) and Certificates Condition 7(c) (*Non-Petition*).

**Governing Law**

English law.

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes and/or the Certificates. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes and Certificates, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes and Certificates for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes and/or Certificates are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the detailed information set out in the section entitled “*Credit Structure*”) and reach their own views prior to making any investment decision.

### **Risks Related to the Notes**

#### ***Limited liquidity***

Prior to their issuance, there will have been only a limited primary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide holders of the Notes with liquidity of investment or that it will continue for the life of the Notes.

If no secondary market develops, the holders of the Notes may not be able to sell the Notes prior to maturity. Further, because of the restrictions on transfer of the Notes, the holders of the Notes must be able to bear the risk of their investment in the Notes for an indefinite period of time.

#### ***Absence of secondary market or lack of liquidity in the secondary market may adversely affect the market value of the Notes***

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default in relation to the Notes while any of the Loans are still outstanding, may depend upon whether the Loans can be realised to obtain an amount sufficient to redeem the Notes.

There is not, at present, an active and liquid secondary market for the Notes, and there can be no assurance that a secondary market for the Notes will develop. To date, none of the Joint Lead Managers have indicated that they intend to establish a secondary market in the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until the Final Maturity Date or, alternatively, such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

The secondary market for mortgage-backed securities has in the past experienced significant disruptions resulting from, among other things, reduced investor demand for such securities. This has resulted in the secondary market for mortgage-backed securities similar to the Notes experiencing very limited liquidity during such severe disruptions. Limited liquidity in the secondary market could have a material adverse effect on the market value of mortgage-backed securities including the Notes issued by the Issuer, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. It is not known whether such disruptions to the market will reoccur.

Whilst central bank schemes such as the Bank of England’s Discount Window Facility, the Extended Collateral Term Repo Facility and Funding for Lending Scheme and the Eurosystem monetary policy framework of the European Central Bank provide an important source of liquidity in respect of eligible securities, the relevant eligibility criteria for eligible collateral which apply and will apply in the future under

such facilities are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities. No assurance is given that any Class of Notes will be eligible for any specific central bank liquidity schemes.

In addition, potential investors should be aware that global markets have recently been negatively impacted by the then prevailing global credit market conditions and reduced growth expectations for the Organisation for Economic Co-operation and Development economies, which could affect any secondary market for instruments similar to the Notes. In particular, at the date of this Prospectus, as well as the current challenges facing the European macro-economic environment, certain European governments are in discussions with other countries in the Eurozone, the International Monetary Fund and other creditors and are in the process of establishing or have already established and are implementing an austerity programme. It is unclear what the effect of these discussions will be on the Eurozone economy. This uncertainty may have implications for the liquidity of the Notes in the secondary market.

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

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) have recently intensified. In particular, concerns have been raised with respect to current economic, monetary and political conditions in 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 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 either Seller, KMC and the Mortgage Administrator) and/or any Borrower in respect of the Loans. Given the current uncertainty and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

#### ***The Notes and the Certificates may not be a suitable investment for all investors***

Each potential investor in the Notes or the Certificates 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 or Certificates, the merits and risks of investing in the Notes or Certificates 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 or Certificates and the impact the Notes or Certificates 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 or Certificates, 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 or Certificates 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 or Certificates, which are complex financial instruments, unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes or Certificates will perform under changing conditions, the resulting effects on the value of the Notes or Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

### ***Yield and prepayment considerations***

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of payment of principal in respect of the Loans in the Mortgage Pool (including prepayments, sale proceeds arising on enforcement of a Mortgage, and repurchases by the relevant Seller, KMC or any affiliate thereof due to, for example, breaches of representations and warranties) on the Loans and the price paid by the holders of the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans.

The rate of prepayment of Loans cannot be predicted and 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. The Loans may be prepaid in full or in part at any time. Prepayments may result in connection with refinancings of Loans, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgage, as well as the receipt of proceeds from building insurance and life insurance policies. No assurance can be given as to the level of prepayment that the Mortgage Pool will experience. See "*Weighted Average Lives of the Notes*" below. The yield to maturity of a series of Notes may also be affected if the relevant Seller, KMC or one of its affiliates is required to repurchase Loans from the Mortgage Pool (see "*Sale of the Mortgage Pool – Warranties and Repurchase*").

Pursuant to the Deed Poll, the Mortgage Pool Option Holder has the option to purchase (or nominate a third party purchaser to purchase) the Mortgage Pool and its Related Security on any Interest Payment Date at any time on or after the Call Option Date for a purchase price which, together with any amounts standing to the credit of the Transaction Account, the GIC Account and/or the General Reserve Fund and Liquidity Reserve Fund and/or any other cash held by or on behalf of the Issuer (other than any Swap Excluded Receivable Amounts), would be required to pay any amounts required under the relevant Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date, redeem all Notes then outstanding in full together with accrued and unpaid interest on such Notes and pay costs associated with the redemption, as calculated as at the Mortgage Pool Purchase Completion Date (such date, the "**Mortgage Pool Purchase Completion Date**").

### ***Repurchase of Loans subject to Product Switches***

Loans subject to Product Switches may, and in certain cases must, be repurchased by the Legal Title-Holder from the Issuer, which will affect the prepayment rate of the Loans and this may affect the yield to maturity of the Notes. Loans in the Mortgage Portfolio subject to Product Switches will be required to be repurchased by the Legal Title-Holder on or prior to the date the Product Switch becomes effective if the relevant Loan following the Product Switch does not comply with the conditions applicable to such Loan as described below in "*Administration, Servicing and Cash Management of the Mortgage Pool - The Mortgage Administration Agreement – Product Switches*". The yield to maturity of the Notes may be affected by the repurchase of Loans subject to Product Switches.

### ***Prepayment of Loans as a result of the offer of Product Switches***

Borrowers may seek to refinance any fixed rate mortgage loans at the end of the initial fixed rate period. The Legal Title-Holder by agreeing a Product Switch with a Borrower may cause an extension of the fixed or discounted rate period and dissuade the Borrower from prepaying the relevant Loan. The Legal Title-Holder is permitted to enter into Product Switches and will not be required to repurchase such Product Switch Loans provided that, amongst other conditions, any particular Product Switch on the effective date of the Product Switch does not cause the then sum of the Balance of all Product Switch Loans within the Mortgage Pool as at their respective Product Switch Effective Dates to exceed an amount equal to 20 per cent. of the Balance of the Mortgage Pool at the date on which the Completion Mortgage Pool is confirmed (see "*Administration, Servicing and Cash Management of the Mortgage Pool - The Mortgage Administration Agreement – Product*").

*Switches*"). Such Product Switches may therefore cause the levels of prepayments to be higher or lower than anticipated and the yield to maturity of the Notes being accordingly affected.

The Legal Title-Holder is required to repurchase the Loan in respect of which a Product Switch has occurred in certain circumstances i.e. breach of Warranty, Liquidity Reserve Fund Trigger Event has occurred on or prior to the Product Switch Effective Date or an Asset Repurchase Trigger has occurred on the Product Switch Effective Date (see "*Administration, Servicing and Cash Management of the Mortgage Pool - The Mortgage Administration Agreement – Product Switches*").

Conversely it may also be the case that an approach to a Borrower to discuss a Product Switch may encourage the Borrower to actively consider its financing which may result in such Borrower borrowing from another finance provider and prepaying the Loan rather than agreeing a Product Switch or keeping the existing Loan without the Product Switch. Such eventuality would cause the levels of prepayments to be higher than anticipated and the yield to maturity of the Notes being accordingly affected.

### ***CRA3***

Prospective investors are responsible for ensuring that an investment in the Notes or Certificates is compliant with all applicable investment guidelines and requirements and in particular any requirements relating to ratings. In this context, prospective investors should note the provisions of Regulation 462/2013 (EU) which amends Regulation (EC) 1060/2009 on Credit Rating Agencies (together, "**CRA3**") which became effective on 20 June 2013. CRA3 requires, among other things, issuers or related third parties intending to solicit a credit rating of a structured finance instrument to appoint at least two credit rating agencies to provide credit ratings independently of each other. Additionally, CRA3 requires certain additional disclosure to be made in respect of structured finance transactions. The scope, extent and manner in which such disclosure should be made are detailed in technical standards adopted by ESMA on 30 September 2014.

Investors should consult their legal advisors as to the applicability of CRA3 in respect of their investment in the Notes.

### ***Projections, Forecasts and Estimates***

Any projections, forecasts and estimates provided to prospective purchasers of the Notes or Certificates are forward looking statements. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialise or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties mismatches between the timing of accrual and receipt of interest and principal from the Loans, and the effectiveness of the Swap Agreement, among others.

None of the Issuer, each Seller, the Trustee, the Arranger, the Joint Lead Managers, the Account Bank, the GIC Provider, the Cash/Bond Administrator, the Swap Counterparty, the Agents or any of their respective affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

### ***Increases in prevailing market interest rates may adversely affect the performance and market value of the Notes***

Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect borrowers' ability to pay interest or repay principal on their Mortgages. Borrowers with a mortgage loan subject to a variable rate of interest or with a mortgage loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, will be exposed to increased monthly payments if the related mortgage interest rate adjusts upward (or, in the case of

a mortgage loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). This increase in Borrowers' monthly payments, which (in the case of a mortgage loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related mortgage interest rate during the relevant fixed or introductory period, may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rate) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in the relevant properties to permit them to refinance.

These events, alone or in combination, may contribute to higher delinquency rates and losses on the Mortgage Pool, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

### ***Interest rate risk***

The Issuer is subject to the risk of the contractual interest rates on the Mortgages (including Mortgages with a fixed rate of interest and rates of interest linked to GBP LIBOR) being lower than that required by the Issuer in order to meet its commitments under the Notes, the Certificates, and its other obligations. This risk is mitigated (but not obviated) by the fixed-floating swap under the Swap Agreement. The notional amount under the Swap Agreement is determined by reference to a fixed amortisation schedule as set out in the Swap Agreement (see "*Credit Structure — The Swap Agreement*" below).

A failure by the Swap Counterparty to make timely payments of amounts due under the Swap Agreement will constitute a default thereunder (after giving effect to any applicable grace period). The Swap Agreement provides that the Sterling amounts owed by the Swap Counterparty on any payment date under the Interest Rate Swap (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer on the same payment date. Accordingly, if the amounts owed by the Issuer to the Swap Counterparty on a payment date are greater than the amounts owed by the Swap Counterparty to the Issuer on the same payment date, then the Issuer will pay the difference to the Swap Counterparty on such payment date; if the amounts owed by the Swap Counterparty to the Issuer on a payment date are greater than the amounts owed by the Issuer to the Swap Counterparty on the same payment date, then the Swap Counterparty will pay the difference to the Issuer on such payment date; and if the amounts owed by both parties are equal on a payment date, neither party will make a payment to the other on such payment date. The Effective Date (as defined in the Swap Agreement) of the Interest Rate Swap is 16 August 2016. Therefore, the initial Interest Period in respect of the Floating Rate Notes is not hedged by the Interest Rate Swap. The Termination Date of the Interest Rate Swap is the Relevant Period End Date falling immediately after the earliest of:

- (a) the Final Maturity Date in respect of the Notes;
- (b) the date on which the Notes have been redeemed in full in accordance with Note Condition 5(b) (*Mandatory Redemption of the Notes*) or with the prior written consent of the Swap Counterparty; and
- (c) the date on which the notional amount as set out in the fixed amortisation schedule contained in the Swap Agreement is reduced to zero.

To the extent that the Swap Counterparty defaults on its obligations under the Swap Agreement to make payments to the Issuer in Sterling, on any payment date under the Interest Rate Swap (which corresponds to an Interest Payment Date), the Issuer will be exposed to the possible variance between the rates of interest payable in respect of the Mortgages in the Mortgage Pool which have fixed rates of interest and GBP LIBOR. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.



If the Swap Counterparty posts any Swap Collateral, such Swap Collateral will be utilised solely for the purpose of supporting the Swap Counterparty's obligations under the Swap Agreement and shall be returned directly to the Swap Counterparty (and not in accordance with the relevant Priority of Payments) in accordance with the terms of the Swap Agreement. Following the termination of the Swap Agreement, any Swap Collateral or the liquidation proceeds thereof which is not returned to the Swap Counterparty as part of the termination payment (or alternately employed as premium for any replacement Swap Agreement) shall constitute Available Revenue Funds. Depending on the circumstances prevailing at the time of termination (and, if applicable, the terms of any replacement Swap Agreement), any such termination payment could be substantial and may adversely affect the funds available to pay amounts due to the Noteholders.

#### ***Product Switches leading to over- or under- hedging***

The Legal Title-Holder may offer a Borrower, or a Borrower may request, a Product Switch from time to time. Loans subject to Product Switches may, and in certain cases must, be repurchased by the Legal Title-Holder from the Issuer, which will affect the prepayment rate of the Loans. Loans in the Mortgage Portfolio subject to Product Switches will be required to be repurchased by the Legal Title-Holder on or prior to the date the Product Switch becomes effective if the relevant Loan following the Product Switch does not comply with the conditions applicable to such Loan, as described below in "*Administration, Servicing and Cash Management of the Mortgage Pool - The Mortgage Administration Agreement – Product Switches*".

The Issuer is subject to the risk of the contractual interest rates on the Mortgages (including Mortgages with a fixed rate of interest and rates of interest linked to GBP LIBOR) being lower than that required by the Issuer in order to meet its commitments under the Notes, the Certificates, and its other obligations. This risk is mitigated (but not obviated) by the fixed-floating swap under the Swap Agreement. The notional amount under the Swap Agreement is determined by reference to a fixed amortisation schedule as set out in the Swap Agreement (see "*Credit Structure – The Swap Agreement*" below). The notional amount under the Swap Agreement as at the Issue Date contemplates an over-hedging of the Fixed Rate Mortgages. The fixed amortisation schedule as set out in the Swap Agreement assumes a certain level of Product Switches (see "*Credit Structure – The Swap Agreement*" below for the fixed amortisation schedule as set out in the Swap Agreement). If no Product Switch Loans are entered into and retained in the Mortgage Portfolio or if the Legal Title-Holder is required to or by its own option repurchases Product Switch Loans from the Issuer there is a heightened risk that the notional amount under the Swap Agreement may not match the principal amount outstanding of those Mortgages in the Mortgage Pool paying fixed rates of interest and therefore the Issuer may become over-hedged with respect to such interest rate exposure.

The Legal Title-Holder is permitted to enter into Product Switches and not be required to repurchase such Product Switch Loans provided that, amongst other conditions, inclusion of any particular Product Switch in the Mortgage Pool does not cause the Forecast Adjusted Fixed Rate Mortgage Principal Amount for any subsequent Interest Payment Date (calculated as at the Product Switch Effective Date) to exceed the notional amount under the Swap Agreement for that on any subsequent Interest Payment Date by more than 5 per cent. (see "*Administration, Servicing and Cash Management of the Mortgage Pool - The Mortgage Administration Agreement – Product Switches*"). The Issuer may therefore become under-hedged with respect to its interest rate exposure under the Notes to the extent described in the previous sentence.

#### ***Swap Termination Payments***

Subject to the following, the Swap Agreement will provide that, upon the occurrence of certain events, the Interest Rate Swap may terminate and a termination payment by either the Issuer or the Swap Counterparty may be payable, depending on, among other things, the terms of the Swap Agreement and the cost of entering into a replacement transaction at the time. Any termination payment due by the Issuer (other than any Swap Excluded Payable Amounts and any Swap Subordinated Amounts) will rank prior to payments in respect of the Notes. If any termination amount is payable, payment of such termination amounts may affect amounts available to pay interest and principal on the Notes.

Any additional amounts required to be paid by the Issuer following termination of the Swap Agreement (including any extra costs incurred in entering into replacement interest rate swaps) will also rank prior to payments in respect of the Notes. This may affect amounts available to pay interest on the Notes and, following service of an Enforcement Notice on the Issuer (which has not been revoked), interest and principal on the Notes.

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

### ***Insolvency of the Swap Counterparty***

In the event of the insolvency of the Swap Counterparty, the Issuer will be treated as a general creditor of the Swap Counterparty. Consequently, the Issuer will be subject to the credit risk of the Swap Counterparty. To mitigate this risk, under the terms of the Swap Agreement, in the event that the relevant ratings of the Swap Counterparty fail to meet the relevant required ratings, the Swap Counterparty will, in accordance with the terms of the Swap Agreement, be required to elect to take certain remedial measures within the applicable time frame stipulated in the Swap Agreement (at its own cost), which may include providing Swap Collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the relevant required ratings, or procuring another entity with the required ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement or taking such other action (which may include inaction) as would result in the Rating Agencies maintaining the then current rating of the Floating Rate Notes. However, no assurance can be given that, at the time that such actions are required, the Swap Counterparty will be able to provide collateral or that another entity with the required ratings will be available to become a replacement Swap Counterparty, co-obligor or guarantor or that the Swap Counterparty will be able to take the requisite other action.

Accordingly, if any of the Floating Rate Notes remain outstanding in circumstances where the Swap Counterparty is insolvent and fails to make any payment to the Issuer required under the Swap Agreement, the Issuer will be subject to the potential variation between the rates of interest payable in respect of the Mortgages in the Mortgage Pool with fixed rates of interest and GBP LIBOR. Unless one or more comparable replacement swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes after that date.

### ***Market Disruption***

The Rate of Interest in respect of the Floating Rate Notes for each Interest Period will increase on and after the Step-Up Date, determined in accordance with Note Condition 4(c) (*Rate of Interest*). Note Condition 4(c) (*Rate of Interest*) contains provisions for the calculation of such underlying rates, in respect of the Notes, based on rates given by various market information sources and Note Condition 4(c) (*Rate of Interest*) contains an alternative method of calculating the underlying rate should any of those market information sources, including the Screen Rate, be unavailable. The market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

### ***LIBOR and Reference Banks***

Following concerns raised by a number of regulators that some of the member banks surveyed by the British Bankers' Association (the "BBA") in connection with the calculation of the London Interbank Offered Rate ("LIBOR") across a range of maturities and currencies may have been manipulating the inter-bank lending rate, a review of LIBOR was conducted at the request of the UK Government which concluded with the publication of a report setting out a number of recommendations for changes with respect to LIBOR (including the introduction of statutory regulation of LIBOR, replacing the BBA as administrator of LIBOR

with an independent administrator, changes to the method of compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate setting) in September 2012 (the “**Wheatley Report**”).

Many of the recommendations made in the Wheatley Report have been enacted into law as part of the Financial Services Act 2012 (which came into effect on 1 April 2013). A new independent administrator for LIBOR, ICE Benchmark Administration Ltd, was appointed on 31 January 2014, regulated by the FCA pursuant to the Financial Services Act 2012 (and any secondary legislation which may be created thereunder). The FCA’s approach towards administration of LIBOR remains to be ascertained. It is not possible to ascertain whether such an approach would have the effect of a sudden or prolonged increase or decrease in LIBOR or whether such an approach could have an adverse impact on the value of the Notes and the payment of interest thereunder. In addition the Financial Stability Board (“**FSB**”) published a report on 22 July 2014 suggesting reforms to the benchmarking of LIBOR. It is not yet clear to what extent the findings of such report will be implemented or what impact such proposed reforms could have on how LIBOR is benchmarked.

In addition, if the Screen Rate is not available (as described in “*Market Disruption*” above) there can be no guarantee that the Issuer (with the approval of the Trustee) shall be able to appoint one or more Reference Banks to provide quotations, in order to determine the Reserve Interest Rate in respect of the Notes. Certain financial institutions that have historically acted as Reference Banks, have indicated that they will not currently provide LIBOR quotations and there can be no assurance that they will agree to do so in the future.

If the Screen Rate is not available and the Issuer (with the approval of the Trustee) is unable to appoint one or more Reference Banks to provide quotations or otherwise obtain quotations, the Reserve Interest Rate in respect of such Interest Payment Date shall be determined, pursuant to Note Condition 4(c) (*Rate of Interest*), to be the most recent Screen Rate that was determined or through quotations provided by one or more Reference Banks. To the extent interest amounts in respect of the Notes are determined by reference to a previously calculated rate, Noteholders may be adversely affected (including where the Bank of England Base Rate has risen since the date of calculation of such Reference Rate). In such circumstances, neither the Agent Bank nor the Trustee shall have any obligation to determine the Rate of Interest on any other basis.

#### ***Risks relating to the Cash/Bond Administrator and incorrect payments***

The Conditions provide that if, for whatever reason, an incorrect payment is made to any party entitled thereto (including the Noteholders of any Class and/or the Certificateholders) pursuant to the Pre-Enforcement Priority of Payments, the Cash/Bond Administrator will, to the extent the same is possible, rectify the same by increasing or reducing payments to such party (including the Noteholders of any Class), as appropriate, on each subsequent Interest Payment Date or Interest Payment Dates to the extent required to correct the same (as set out in the Cash/Bond Administration Agreement). Accordingly, increased or reduced payments may be made to Noteholders and/or Certificateholders.

In circumstances where the Performance Report or other relevant information is not available, such that the Cash/Bond Administrator cannot determine the Revenue Receipts and Principal Receipts in respect of any Determination Period, the amount of Revenue Receipts and Principal Receipts for the purposes of such determination shall be estimated by reference to the three most recent Determination Periods.

If a Performance Report is subsequently delivered in respect of any subsequent Determination Period and for the Determination Periods where no such information was available, then: (i) the Revenue Receipts and the Principal Receipts will be calculated on the basis of the information in such Performance Report; and (ii) one or more reconciliation payments in respect of a Reconciliation Amount may be required to be made by the Issuer on the related and subsequent Interest Payment Dates in order to account for any overpayment(s) and/or underpayment(s) made on any Interest Payment Date during the relevant period of estimations in accordance with Note Condition 4(k) (*Determinations and Reconciliation*) and the Cash/Bond Administration Agreement.

### ***Liability under the Notes and Certificates***

The Notes and Certificates will be obligations solely of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes and Certificates will not be obligations of, and will not be guaranteed by, or be the responsibility of the Account Bank, the Swap Collateral Account Bank, the Collection Accounts Provider, the Arranger, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Corporate Services Provider, the Trustee, the Swap Counterparty, the Mortgage Administrator, any Delegate Mortgage Administrator, the Mortgage Administration Facilitator, the Legal Title-Holder, the Legal Title-Holder Facilitator, the Sellers, the Principal Paying Agent, the Joint Lead Managers, the GIC Provider or anyone other than the Issuer.

The Notes and Certificates will be limited recourse obligations of the Issuer. If, and to the extent that, after the Charged Property has been realised and the proceeds thereof have been applied in accordance with the applicable Priority of Payments, either (x) the amounts recovered on realisation of the Charged Property are insufficient to pay or discharge amounts due from the Issuer to the Noteholders or Certificateholders in full for any reason or (y) the proceeds in accordance with the applicable Priority of Payments the principal amount outstanding has not been fully repaid on the A to Z Notes, the Issuer will have no liability to pay or otherwise make good any such insufficiency or shortfall.

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

The ratings assigned to the Rated Notes are based on the Loans, the Security, the Mortgage Pool and relevant structural features of the transaction, which may include, among other things, the short-term unsecured, unguaranteed and unsubordinated debt ratings and the long-term ratings of the Account Bank, the Swap Collateral Account Bank, the GIC Provider and the Swap Counterparty. These ratings reflect only the views of the Rating Agencies in respect of the Rated Notes.

Any Rating Agency may also lower or withdraw its rating with respect to the Swap Counterparty. Under the terms of any Swap Agreement that may be entered into in respect of the Notes, if the relevant credit rating of the Swap Counterparty is withdrawn or reduced below certain thresholds, the Swap Counterparty shall be required to:

- (a) provide collateral in support of its obligations under the Swap Agreement;
- (b) procure a guarantee of its obligations under the Swap Agreement; or
- (c) procure an appropriately rated replacement counterparty; or
- (d) take such other action (which may include inaction) necessary so that the rating of the Rated Notes following such action will be rated no lower than the Rated Notes would be rated but for the downgrade.

It cannot be assured, however, that the Swap Counterparty would be able to take any of the above actions upon the occurrence of this event or that the ratings of the Rated Notes will not be lowered or withdrawn upon the occurrence of this event.

The ratings that are assigned to the Rated Notes do not represent any assessment of the yield to maturity that a holder of a Rated Note may experience.

The ratings assigned by the Rating Agencies address, *inter alia*:

- (a) in respect of the A Notes, the B Notes, the C Notes and the D Notes the likelihood of full and timely payment of interest due to the holders of such A Notes, B Notes, C Notes and D Notes, on each Interest Payment Date;
- (b) in respect of the E Notes and the X Notes, the likelihood of full and ultimate payment to the holders of the E Notes and the X Notes of all payments of interest on the Final Maturity Date; and

- (c) full payment of principal due to the holders of the Rated Notes by a date that is not later than the Final Maturity Date for the Rated Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the other ratings, the market value and/or the liquidity of the Rated Notes.

Credit rating agencies other than Moody's or Fitch could seek to rate the Rated Notes without having been requested to do so by the Issuer and, if such unsolicited ratings are lower than the comparable ratings assigned to the Rated Notes by Moody's and/or Fitch those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Rated Notes. In addition, the mere possibility that a rating could be issued may affect price levels in any secondary market that may develop. In this Prospectus, all references to ratings are to ratings assigned by the relevant Rating Agencies.

A Rating Agency may lower, withdraw or qualify its rating if, in the sole judgement of the Rating Agency, the credit quality of the Rated Notes has declined or is in question. A Rating Agency may also change its criteria and/or methodology at any time and the application of its revised criteria and/or methodology may lead it to lower, withdraw or qualify its rating of the Rated Notes. If any rating assigned to the Rated Notes is downgraded or withdrawn, the market value and/or liquidity of the Rated Notes may be reduced.

### ***Rating Agencies' Confirmation***

Where it is necessary for the Trustee to determine, in its opinion, for the purposes of exercising any right, power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Transaction Documents, whether or not such exercise will be materially prejudicial to the interests of the Noteholders or any Class of Noteholders, the Trustee shall be entitled, in making such a determination, to take into account any other things it may, in its absolute discretion, consider necessary and/or appropriate, any confirmation by a Rating Agency (if available) that the then current ratings of the Rated Notes or, as the case may be, the Rated Notes of such Class will not be downgraded, withdrawn or qualified, and that, where any original rating of the Rated Notes or, as the case may be, the Rated Notes of such Class has been and continues to be downgraded, restoration of such original rating would not be prevented, as a result of such exercise. For the avoidance of doubt, such rating confirmation shall not be construed to mean that any such exercise by the Trustee of any right, power, trust, authority, duty or discretion under or in relation to the Rated Notes, the Conditions or any of the Transaction Documents is not materially prejudicial to the interests of the holders of the Rated Notes or, as the case may be, the Rated Notes of the relevant Class; and the non-receipt of such rating confirmation shall not be construed to mean that any such exercise by the Trustee as aforesaid is materially prejudicial to the interests of the holders of the Rated Notes or, as the case may be, the Rated Notes of the relevant Class.

No assurance can be given that any or all of the Rating Agencies will provide any such confirmation or that, depending on the timing of the delivery of the request and any information needed to be provided, it may be the case that the Rating Agencies cannot provide their confirmation in the time available and, in either case, the Rating Agencies will not be responsible for the consequences thereof. However, if a confirmation is provided, it should be noted that a Rating Agency's decision to reconfirm a particular rating may be made on the basis of a variety of factors. In particular, the holders of Rated Notes should be aware that the Rating Agencies owe no duties whatsoever to any parties to the transaction (including the Noteholders) in providing any confirmation of ratings. No assurance can be given that a requirement to seek ratings confirmation will not have a subsequent impact upon the business of the Borrowers. In addition, it should be noted that any confirmation of ratings:

- (a) only addresses the effect of any relevant event, matter or circumstance on the current ratings assigned by the relevant Rating Agency to the Rated Notes;
- (b) does not address whether any relevant event, matter or circumstance is permitted by the Transaction Documents and the Note Purchase Agreement; and

- (c) does not address whether any relevant event, matter or circumstance is in the best interests of, or prejudicial to, some or all of the Noteholders or other Secured Creditors.

No assurance can be given that any such reconfirmation will not be given in circumstances where the relevant proposed matter would materially adversely affect the interests of Noteholders of a particular Class.

The Rating Agencies, in assigning credit ratings, do not comment upon the interests of the holders of securities (such as the Rated Notes).

The implementation of certain matters pursuant to the Transaction Documents is subject to the receipt of written confirmation from each Rating Agency (or certification from the Issuer to the Trustee that the Issuer has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in the then current ratings of each Class of Notes rated thereby being qualified, downgraded or withdrawn and, if relevant, the Issuer delivers a copy of each such confirmation to the Trustee, or the Issuer certifies in writing that the Rating Agencies then rating the Notes have been informed of the proposed modification and none of the Rating Agencies have indicated that such modification would result in a qualification, downgrade or withdrawal of the then current ratings of each Class of Notes rated thereby (a “**Rating Agency Confirmation**”). It is possible that, in certain circumstances, amendments are made to the Transaction Documents notwithstanding the fact that a Rating Agency Confirmation is not obtained.

***The Trustee may agree to modifications to the Transaction Documents without the Noteholders’ or Certificateholders’ prior consent, which may adversely affect the Noteholders’ or Certificateholders’ interests***

Pursuant to the terms of the Trust Deed and the Deed of Charge, the Trustee may, without the consent or sanction of any of, or any liability to, any Noteholder, Certificateholder:

- (a) concur with the Issuer and any other relevant parties in making or sanctioning:
  - (i) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation; or
  - (ii) any other modification (excluding a Notes Basic Terms Modification and a Certificates Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Notes of such Class, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class (other than any Noteholders of the Most Senior Class who have confirmed their consent in writing to the relevant modification, waiver or authorisation);
- (b) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class (other than any holders of the Most Senior Class who have confirmed their consent in writing to the relevant waiver, authorisation or determination),

**provided that** the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution of holders of the Most Senior Class or a request made pursuant to Note Condition 9 (*Events of Default*) and Certificates Condition 6 (*Events of Default*).

The prior written consent of the Swap Counterparty is required to modify or supplement any provision of the Transaction Documents, the Notes Conditions or the Certificates Conditions if the Swap Counterparty determines, acting in a commercially reasonable manner, that such modification affects or would affect any of the following:

- (i) the Swap Counterparty's rights in relation to any security (howsoever described, and including as a result of changing the nature or the scope of, or releasing such security) granted by the Issuer in favour of the Trustee on behalf of the Secured Creditors;
- (ii) the definitions of Final Maturity Date, Available Revenue Funds, Swap Collateral Account, Swap Cash Collateral Account, the Swap Cash-Linked Collateral Account, Swap Securities Collateral Account, Swap Excluded Payable Amounts or Swap Excluded Receivable Amounts;
- (iii) the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;
- (iv) the provisions in the Transaction Documents or the Note Conditions setting out the method of calculation of amounts payable under the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;
- (v) any amendment to Condition 5 (*Redemption*) of the Note Conditions or any additional redemption rights in respect of the Notes; or
- (vi) Clause 20.1.2 (*Modification*) of the Trust Deed.

The Issuer shall notify in writing the Swap Counterparty and the Trustee of any proposed modification or supplement to any provisions of the Transaction Documents, the Notes Conditions or the Certificate Conditions that may affect any of the items listed in the previous paragraph at least 21 days (exclusive of the day on which the notice is given and of the day that the modification or supplement is intended to be effected) prior to such modification or supplement being effected, notwithstanding any other provision of the Transaction Documents, the Notes Conditions or the Certificate Conditions. The Swap Counterparty may notify the Trustee and the Issuer in writing if it determines (acting in a commercially reasonable manner) that such modifications or supplement would affect any of the items listed in the previous paragraph. If the Issuer and the Trustee receive notification (the "**Notification**") from the Swap Counterparty that the Swap Counterparty has determined that the modification and/or supplement would not affect any of the items listed in the previous paragraph or that the Swap Counterparty otherwise consents to such modification and/or supplement, such modification and/or supplement may take effect at any time from and including the date of receipt of the Notification. If the Issuer and the Trustee do not receive any such determination or a Notification by the expiry of such notice period, the Swap Counterparty shall be deemed to have consented to such modification or supplement. If the Swap Counterparty has not received notice in accordance with this paragraph, the proposed modification or supplement shall not be effective.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or, subject to the receipt of consent from any of the Secured Creditors party to a 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 Notes Basic Terms Modification and a Certificates Basic Terms Modification) to the Note Conditions, the Certificates 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 considers necessary in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Cash/Bond Administrator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Note Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Mortgage Administrator appointed by the

Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administration Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Note Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Legal Title-Holder Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

In respect of the amendments effected pursuant to Note Condition 11(e) (*Modification and Waiver*) and Certificates Condition 8(d) (*Modification and Waiver*), the Trustee shall, in relation only to its obligation to make an amendment related to EMIR or a replacement Mortgage Administrator or a replacement Legal Title-Holder, not consider the impact of such modifications on the interests of any Noteholders or Certificateholders, Secured Creditor or any other person and shall act and rely solely and without further investigation or enquiry on any certificate or evidence provided to it by the Issuer or relevant Transaction Party, as the case may be and shall not be liable to the Noteholders, the Certificateholders, any other Secured Creditors or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interest of such person.

Any such modifications permitted above shall be binding on the Noteholders, Certificateholders or other Secured Creditors and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders and Certificateholders as soon as practicable thereafter in accordance with Note Condition 13 (*Notice to Noteholders*) and Certificates Condition 11 (*Notice to Certificateholders*). So long as the Rated Notes, or any of them, are rated by the Rating Agencies the Issuer shall notify each of the Rating Agencies of any modification made by it in accordance with the above as soon as reasonably practicable thereafter.

The Trustee shall not be obliged to agree to any modification of the Trust Deed, the Note Conditions, the Certificates Conditions or any other Transaction Document which (in the sole opinion of the Trustee) would have the effect of: (x) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (y) increasing the obligations or duties, or decreasing the protections of the Trustee in the Transaction Documents, the Trust Deed and/or the Conditions.

### ***Risks relating to Noteholder Meetings***

An initial meeting of the Noteholders may be held on 21 clear days' notice. The requisite quorum in respect of Ordinary Resolutions is two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than 25 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting. The requisite quorum in respect of Extraordinary Resolutions is two or more persons holding or representing Noteholders holding Notes of in aggregate more than 50 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting, except in relation to a Notes Basic Terms Modification. The requisite quorum in respect of Extraordinary Resolutions to approve a Notes Basic Terms Modification requires two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting.



An adjourned meeting of the Noteholders may be held on not less than 14 nor more than 42 clear days' notice. The requisite quorum at an adjourned meeting in respect of Ordinary Resolutions is two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting. The requisite quorum in respect of Extraordinary Resolutions is two or more persons holding or representing Noteholders holding Notes of in aggregate not less than 25 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting, except in relation to a Notes Basic Terms Modification. The requisite quorum in respect of Extraordinary Resolutions to approve a Notes Basic Terms Modification requires two or more persons holding Notes or representing Noteholders holding Notes of in aggregate more than a clear majority of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting.

As a result of these requirements, it is possible that a valid Noteholder meeting may be held without the attendance of Noteholders who may have wished to attend and/or vote.

#### ***The Sellers as Noteholder and Certificateholder***

Each of the Seller has a right to purchase and hold any Notes or Certificates. As holder of any Notes or Certificates, the relevant Seller will have a right to vote on any resolution or determination put to Noteholders or Certificateholders and the interests of such Seller may differ from those of other Noteholders or Certificateholders.

#### ***Risks relating to negative consent of Noteholders and Certificateholders***

An Extraordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) or Ordinary Resolution may be passed by the negative consent of the relevant Noteholders. An Extraordinary Resolution or an Ordinary Resolution, as applicable, will be passed by a Class of Notes unless, within 40 days of the requisite notice being given by the Issuer, the Trustee or the Cash/Bond Administrator (as set out in the Cash/Bond Administration Agreement), to such Class of Noteholders in accordance with the provisions of Condition 14 (*Notice to Noteholders*), (a) in the case of an Extraordinary Resolution, the holders of 10 per cent. or more in aggregate of the Principal Amount Outstanding of the Notes of such Class or (b) in the case of an Ordinary Resolution, the holders of 15 per cent. or more in aggregate of the Principal Amount Outstanding of the Notes of such Class, have informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution or Ordinary Resolution, as applicable. Therefore, it is possible that an Extraordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) could be passed without the vote of any Noteholders or even if holders of up to 9.99 per cent. in aggregate of the Principal Amount Outstanding of the relevant Class of Notes objected to it and it is possible that an Ordinary Resolution could be deemed to be passed without the vote of any Noteholders or even if holders of up to 14.99 per cent. in aggregate of the Principal Amount Outstanding of the relevant Class of Notes objected to it.

#### ***Weighted average life of the Notes***

The weighted average lives of the Notes refer to the average amount of time that elapses from the date of issuance of the Notes to the Noteholders to the date of distribution to such Noteholders of payments in net reduction of principal under the Notes (assuming no losses).

The weighted average lives of the Notes will be directly influenced by, amongst other things, the actual rate of redemption of the Mortgages, which in turn, is influenced by the Borrowers' ability to redeem the Mortgages. Where certain Borrowers are able to redeem the Mortgages only through refinancing, the actual rate of redemption may actually be reduced if such Borrowers experience difficulties in refinancing the relevant Loans. Any failure to make timely redemption of the Mortgages will reduce the CPR and increase the average weighted lives of the Notes.

For other factors and assumptions which may affect the weighted average lives of the Notes, see "*Weighted Average Lives of the Notes*".

### ***General legal investment considerations***

The investment activities of certain investors are subject to legal investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Notes or Certificates are legal investments for it, (b) the Notes or Certificates can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes or Certificates. 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.

### ***Subordination of the Notes***

- (a) The B Notes are subordinated in right of payment of principal and interest to the A Notes;
- (b) the C Notes are subordinated in right of payment of principal and interest to the A Notes and the B Notes;
- (c) the D Notes are subordinated in right of payment of principal and interest to the A Notes, the B Notes and the C Notes; and
- (d) the E Notes are subordinated in right of payment of principal and interest to the A Notes, the B Notes, the C Notes and the D Notes.

There is no assurance that these subordination provisions will protect the holders of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes from all risk of loss.

Investors in the X Notes and the Z Notes should also be aware that prior to the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or on the occurrence of a Redemption Event, payments in respect of the X Notes and the Z Notes shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments. Following the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or on the occurrence of a Redemption Event, payments in respect of the X Notes and the Z Notes will be made in accordance with the Post-Enforcement Priority of Payments. Payments on the X Notes and the Z Notes will only be made to the extent there are residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments (or residual funds under the Post-Enforcement Priority of Payments, if applicable).

No payments of principal will be made on the Z Notes until the A Notes to the D Notes (inclusive) have been redeemed in full.

Each Certificate represents a *pro rata* entitlement to receive any residual balance following payment of all senior items in the relevant Priority of Payments by way of deferred consideration for the purchase by the Issuer of the Completion Mortgage Pool. Payments in respect of the Certificates shall only be payable (i) out of residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments (or after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, residual funds under the Post-Enforcement Priority of Payments) and (ii) out of residual Available Principal Funds.

For further information on the payment of principal on the Notes, please see Note Condition 5 (*Redemption*).

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

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders and Certificateholders equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise).

If, in the Trustee's opinion, there is a conflict between the interests of:

- (a) (i) the A Noteholders and (ii) the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders, the X Noteholders, the Z Noteholders and/or the Certificateholders, the Trustee shall give priority to the interests of the A Noteholders whose interests shall prevail;
- (b) (i) the B Noteholders and (ii) the C Noteholders, the D Noteholders, the E Noteholders, the X Noteholders, the Z Noteholders and/or the Certificateholders, the Trustee shall give priority to the interests of the B Noteholders whose interests shall prevail;
- (c) (i) the C Noteholders and (ii) the D Noteholders, the E Noteholders, the X Noteholders, the Z Noteholders and/or the Certificateholders, the Trustee shall give priority to the interests of the C Noteholders whose interests shall prevail;
- (d) (i) the D Noteholders and (ii) the E Noteholders, the X Noteholders, the Z Noteholders and/or the Certificateholders, the Trustee shall give priority to the interests of the D Noteholders whose interests shall prevail;
- (e) (i) the E Noteholders and (ii) the X Noteholders, the Z Noteholders and/or the Certificateholders, the Trustee shall give priority to the interests of the E Noteholders whose interests shall prevail;
- (f) (i) the X Noteholders and (ii) the Z Noteholders and/or the Certificateholders, the Trustee shall give priority to the interests of the X Noteholders whose interests shall prevail;
- (g) (i) the Z Noteholders and (ii) the Certificateholders, the Trustee shall give priority to the interests of the Z Noteholders whose interests shall prevail;

So long as any of the Notes are outstanding, the Trustee will have regard solely to the interest of the Noteholders and shall not have regard to the interests of the Certificateholders or other Secured Creditors, subject to the provisions of the Trust Deed. If there are no Notes outstanding, the Trustee is to have sole regard to the interest of the Certificateholders and shall not have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed.

### ***Conflicts of interest***

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

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

- (a) may from time to time be a Noteholder and/or Certificateholder or have other interests with respect to the Notes or Certificates and they may also have interests relating to other arrangements with respect to a Noteholder or a Note, a Certificateholder or a Certificate, or any other Transaction Party;
- (b) may receive (and will not have to account to any person for) fees, brokerage and commissions or other benefits and act as principal with respect to any dealing with respect to any Notes or Certificates;
- (c) may purchase all or some of the Notes or Certificates and resell them in individually negotiated transactions with varying terms; and

- (d) may be or have been involved in a broad range of transactions including, without limitation, banking, lending, advisory, dealing in financial products, credit, derivative and liquidity transactions, investment management, corporate and investment banking and research in various capacities in respect of the Notes, the Certificates, the Issuer or any other Transaction Party or any related entity, both on its own account and for the account of other persons.

Prospective investors should be aware that:

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

Prior to the Issue Date, Bank of America Merrill Lynch, Citigroup Global Markets Limited and J.P. Morgan Securities plc and/or each of their affiliates, amongst others, provided financing and/or arranged for the provision of financing (the “**Warehouse Financing**”) secured over, among other things, all of the Loans in the Mortgage Pool. Bank of America Merrill Lynch, Citigroup Global Markets Limited and J.P. Morgan Securities plc expect that such Warehouse Financing will be repaid on or about the Issue Date by the borrower(s) thereof using the proceeds of sale received by the relevant Seller from the Issuer in respect of the Mortgage Pool. In acting as a lender or an arranger of such Warehouse Financing, Bank of America Merrill Lynch, Citigroup Global Markets Limited and J.P. Morgan Securities plc and each of their respective affiliates will act in its own commercial interests and will not be required to take into account the interests of the Noteholders, Certificateholders, or any other party.

These interests may conflict with the interests of a Noteholder or Certificateholder, and the Noteholder or Certificateholder may suffer loss as a result. To the maximum extent permitted by applicable law, a Joint Lead Managers Related Person is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents, the Notes, the Certificates, or the interests described above and may otherwise continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders, the Certificateholders, and the Joint Lead Managers Related Persons may in so doing so act in its own commercial interests and without notice to, and without regard to, the interests of any such person.

## **Risks related to the Loans**

### ***Extraction of information contained in this Prospectus***

The information contained in the section of this Prospectus entitled “*Characteristics of the Provisional Completion Mortgage Pool*” has been extracted from information provided by the Mortgage Administrator (which information has been subject to rounding). Investors should note that none of the information provided in such section has been the subject of an audit. In particular, information relating to CCJs, Bankruptcy Orders or IVAs has not been subject to due diligence by means of an agreed upon procedure or other similar examination. The Mortgage Administrator is not providing any representations or warranties in respect of this information.

Each of the Arranger and the Joint Lead Managers are entitled to assume that all information provided to them by the Mortgage Administrator for the purpose of reporting on the arithmetic or other accuracy is true and correct and is complete and not misleading and are not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information save that the Mortgage Administrator will be required to advise the Joint Lead Managers if they have not been provided with any of those figures which it is required to provide.

### ***Risks of losses associated with declining real estate values***

An investment in securities such as the Notes and Certificates that generally represent a secured debt obligation (the security being in respect of Loans beneficially owned by the Issuer) may be affected by, among other things, a decline in real estate values and changes in the Borrowers’ financial condition. All of the Properties are located in England or Wales. Approximately 37.70 per cent. of the aggregate number of Loans (representing 50.49 per cent. of the aggregate Balance of the Loans) are secured by Properties located in the South East of England and Greater London. See the tables entitled “*Distribution of Loans by Region*” under “*Characteristics of the Provisional Completion Mortgage Pool*”. Certain areas of the United Kingdom may from time to time experience declines in real estate values such as has been seen in recent times. No assurance can be given that values of the Properties have remained or will remain at their levels on the dates of origination of the related Loans. If the residential real estate market in the United Kingdom in general, or in the South East of England and Greater London in particular, should experience an overall decline in property values such that the values of the Properties may have reduced during the period starting from the origination of the related Loans until the end of the maturity of the Notes, and the outstanding balances of the Loans become equal to or greater than the value of the Properties, such a decline could in certain circumstances result in the value of the interest in the Properties created by the Mortgages being significantly reduced. To that extent, holders of interests in the Notes will bear all risk of loss resulting from default by Borrowers and will have to look primarily to the value of the Properties for recovery of the outstanding principal and unpaid interest on the delinquent Loans.

### ***Borrowers may default on their obligations***

Borrowers may default on their obligations due under Loans for a variety of financial and personal reasons, including loss or reduction of earnings (and self employed Borrowers may have more volatile earnings), illness, divorce and other similar factors which may, individually or in combination, lead to an increase in delinquencies by and bankruptcies of Borrowers. Certain national and international macroeconomic factors may also contribute to or hinder the economic health of a Borrower and thus the economic performance of the Loans.

### ***Geographic concentration of the Loans***

To the extent that specific geographic regions have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions, a concentration of the Loans in such a region may be expected to exacerbate all of the risks relating to the Loans described in this section. The Issuer cannot predict when and/or where such regional economic declines may occur, nor to what extent or for how long such conditions may continue, but if the timing and payment of the Loans are adversely affected as

described above, the ability of the Issuer to make payments due under the Notes or Certificates could be reduced or delayed.

***Basis risk and risks associated with interest rates***

As described in “*Constitution of the Mortgage Pool – The Mortgage Pool*” below, interest in respect of the Loans in the Provisional Completion Mortgage Pool is payable on various bases. Of the Loans in the Provisional Completion Mortgage Pool:

- (a) 0.41 per cent. are LIBOR Standard Mortgages; and
- (b) 99.59 per cent. are Fixed Rate Mortgages.

These figures refer to the Provisional Completion Mortgage Pool as at 29 February 2016. The first Performance Report delivered after the Issue Date will reflect the Loans in the Completion Mortgage Pool.

Upon expiry of the fixed rate period relating to the Loans with Fixed Rate Mortgages, these Fixed Rate Mortgages will revert to being LIBOR Standard Mortgages.

As a result of the Loans having these different bases, the Issuer is subject to the risk of a mismatch between the interest rate received by the Issuer on the Loans, such potential mismatch being caused by:

- (x) the interest rates received by the Issuer on the Loans being determined on different dates than that on which the interest rate payable on the Notes is determined; and
- (y) prior to the expiration of the relevant fixed rate, the interest rates received by the Issuer on the Fixed Rate Mortgages being determined on a different basis than that on which the interest rate payable on the Notes is determined.

Fluctuations in the value or the method of calculation of LIBOR could potentially result in (a) the contractual interest rates on the Loans being lower than that required by the Issuer in order to meet its commitments under the Notes and its other obligations and (b) the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes.

In addition, the Issuer is subject to the risk of the weighted average coupon of interest received in respect of the Mortgage Pool being reduced due to Loans with higher interest margins being repaid more quickly than Loans with lower interest margins (“**margin compression**”).

The Issuer is also subject to the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes which risk is mitigated by (i) the GIC Account, which pays a rate of interest agreed from time to time between the Issuer (or the Cash/Bond Administrator on its behalf) and the GIC Provider on funds standing to the credit thereof and from which, the Issuer (or the Cash/Bond Administrator on its behalf) may invest sums in Authorised Investments, and (ii) (for so long as the Loans are fully performing) the availability of the General Reserve Fund or Available Principal Funds, each of which are available to meet payments of interest due under the A to D Notes and the senior expenses of the Issuer.

Increases in applicable variable rates may result in borrowers with a loan subject to a variable rate of interest or with a loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, being exposed to increased monthly payments as and when the related mortgage interest rate adjusts upward. This increase in borrowers’ monthly payments, ultimately may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid these increased monthly payments (caused by, for example, a rise in the related mortgage 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 and losses.

The Loans are subject to variable and fixed interest rates while the Issuer's liabilities under the Notes are based on 3 Month Sterling LIBOR.

To attempt to hedge its interest rate exposure in relation to the fixed rates of interest payable in respect of the Mortgages in the Mortgage Pool and the amounts payable under the Notes, the Issuer will enter into the Swap Agreement with the Swap Counterparty (see "*Credit Structure — The Swap Agreement*" below). The notional amount under the Swap Agreement (which is determined by reference to a fixed amortisation schedule as set out in the Swap Agreement) may not match the principal amount outstanding of those Mortgages in the Mortgage Pool paying fixed rates of interest and therefore the Issuer may become over or under hedged with respect to such interest rate exposure.

### ***Underwriting standards***

The Loans have been underwritten generally in accordance with underwriting standards described in "*Constitution of the Mortgage Pool – Lending Criteria*" below. These underwriting standards consider, among other things, a Borrower's credit history, employment history and status, repayment ability and income multiple or debt service-to-income ratio, as well as the value of the property.

There can be no assurance that these underwriting standards will not be varied or that loans originated under different criteria may not become part of the Mortgage Pool.

For a description of the underwriting standards, see "*Constitution of the Mortgage Pool – Lending Criteria*" below. For a detailed analysis of the Loans constituting the Mortgage Pool on the Issue Date, see "*Characteristics of the Provisional Completion Mortgage Pool*" below.

### ***Warranties***

Neither the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Loans and their related Mortgages, and each will rely instead on the Warranties. The sole remedy (save as described below) of the Issuer and the Trustee in respect of a breach of Warranty which could have a material adverse effect on the value of the relevant Loan and related Mortgage (other than where such breach was disclosed at the point of sale to the Issuer (see "*Sale of the Mortgage Pool – Warranties and Repurchase*")) and which, if capable of remedy, is not so remedied by the relevant Seller within 21 days of notification of such breach to that Seller and KMC by the Issuer, shall be the requirement that the relevant Seller or KMC repurchase, or procure the repurchase by an affiliate, on a joint and several basis, of any Loan which is the subject of any breach in return for a cash payment equal to the Repurchase Price, or at the option of the relevant Seller or KMC, as applicable, the substitution of an alternative mortgage loan of an appropriate value, **provided that** this shall not limit any other remedies available to the Issuer and/or the Trustee if the relevant Seller, KMC or an affiliate thereof fails to repurchase a Loan or make a payment when obliged to do so. However, there can be no assurance that the relevant Seller or KMC (or an affiliate thereof) will have the financial resources to honour such obligations under the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement (as applicable). This may affect the quality of the Loans and their related security in the Mortgage Pool and accordingly the ability of the Issuer to make payments due on the Notes and/or Certificates.

### ***Risks associated with non owner-occupied Properties***

Approximately 22.25 per cent. of the aggregate number of the loans (representing 18.59 per cent. of the aggregate Balance of the Loans) are secured by non-owner occupied freehold or leasehold properties charged as security for the repayment of a Loan (each a "**Property**"). Although it is intended that the Properties will be let by the relevant Borrower to tenants, there can be no guarantee that each such Property will be the subject of an existing tenancy when the relevant Mortgage is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Mortgage and/or that the rental income achievable from tenancies of the relevant Property will be sufficient to provide the Borrower with sufficient income to meet the Borrower's interest obligations in respect of the Mortgage.

As such, the security for the Notes will also from time to time be affected by the condition of the private residential rental market in England and Wales and, in particular, the condition of the private rental market within the various regional areas in England and Wales where the relevant Properties are located. The condition of the rental market will influence both the ability of Borrowers to find tenants and the amount of rental income which may be achieved by the relevant Borrower in any letting.

Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Mortgage Administrator (or its replacement or delegate, as applicable) may not be able to obtain vacant possession of the Property, in which case the Mortgage Administrator (or its replacement or delegate, as applicable) will only be able to sell the Property as an investment property with one or more sitting tenants. This may affect the amount which such administrator could realise upon enforcement of the Mortgage and a sale of the Property. However, enforcement procedures in relation to such Mortgages include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Property and apply them accordingly in payment of any interest and arrears accruing under the Mortgage.

In July 2015, the UK government announced that from April 2017 the tax relief available on payments of interest on buy-to-let loans will be reduced, subject to a four year phase-in period. This may prompt Borrowers to re-finance their loan or sell the underlying Property, which in turn may adversely affect the yield to maturity of the Notes.

In November 2015, the UK government announced that the rate of stamp duty applicable to the purchase of certain buy-to-let properties would increase from April 2016. This may affect the amount which the Mortgage Administrator (or its replacement or delegate, as applicable) could realise on enforcement of a Mortgage, particularly if the Property is the subject of an existing tenancy with one or more sitting tenants.

#### ***Risk of losses associated with Interest Only Loans***

Approximately 22.39 per cent. of the aggregate number of Loans (representing 20.66 per cent. of the aggregate Balance of the Loans) in the Provisional Completion Mortgage Pool constitute Interest Only Loans. Interest Only Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Loan, the Borrower will be required to make a “bullet” repayment that will represent the entirety of the principal amount outstanding thereof. The ability of such a Borrower to repay an Interest Only Loan at maturity may often depend on such Borrower’s ability to refinance the Property or obtain funds from another source such as pension policies, personal equity plans or endowment policies. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower’s equity in the Property, the financial condition of the Borrower and general economic conditions at the time. If a Borrower cannot repay an Interest Only Loan, a loss may occur and this may affect payments on the Notes and/or Certificates.

#### ***Lack of control by Noteholders***

The servicing of the Loans will be carried out by the Mortgage Administrator (or any delegate or replacement thereof, as the case may be) with certain functions and discretions being exercised by the Legal Title-Holder. The holders of Notes or Certificates will have no right to consent to, or approve of, any actions set forth in the Mortgage Administration Agreement. See “*Administration, Servicing and Cash Management of the Mortgage Pool – Mortgage Administration Agreement*”.

#### **General Risk Factors and Certain Regulatory Considerations**

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

Pursuant to the terms of the Deed of Charge, the Issuer has purported to grant fixed charges over, amongst other things, its interests in the Mortgages and their related Collateral Security and its rights and benefits in the Bank Accounts, and its beneficial interests in the Collection Accounts.



The law in England and Wales relating to the characterisation of fixed charges is not settled. The fixed charges purported to be granted by the Issuer may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the charged property for the security to be said to “fix” over those assets. It should be assumed by Noteholders that the fixed charges will take effect as floating charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets. In particular, the expenses of any administration, and the claims of any preferential creditors and the claims of unsecured creditors would rank ahead of the claims of the Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the United Kingdom tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Issuer has agreed in the Transaction Documents not to have any employees.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer will be required to set aside the prescribed percentage or percentages of the floating charge realisations in respect of the floating charges contained in the Deed of Charge (as described in more detail below under “*English law security and insolvency considerations*”).

### ***Changes of law***

The structure of the transaction and, *inter alia*, the issue of the Notes, the Certificates, and the ratings which are to be assigned to the Rated Notes are based on the relevant law, tax, accounting, regulatory and administrative requirements and practice, in effect as at the date of this Prospectus and having due 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 the relevant law, tax, regulatory, accounting (and any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes or Certificates.

### ***UK Government Credit Guarantee Scheme, ABS Guarantee Scheme and Financial Services Compensation Scheme not applicable***

On 8 October 2008, the UK Government announced the introduction of a new credit guarantee scheme pursuant to which the Government would make available to eligible institutions for an interim period a guarantee of new short and medium term debt issuance to assist in refinancing maturing, wholesale funding obligations as they fell due. The UK Government indicated that certain debt instruments including the Notes were not covered by the guarantee provided under the scheme and, as such, for the avoidance of doubt, the obligations of the Issuer in respect of the Notes are not guaranteed by the UK Government under the above credit guarantee scheme. This scheme was closed to new issuance on 28 February 2010 and the scheme closed upon the expiry of the final guarantee on 26 October 2012. In addition, on 19 January 2009, the UK government announced the introduction of the asset backed securities guarantee scheme which closed on 31 December 2009. The Notes are not guaranteed by the UK Government under the asset backed securities guarantee scheme. Also, any investment in the Notes does not have the status of a bank deposit in England and Wales and is not within the scope of the UK Financial Services Compensation Scheme and accordingly, the Notes will not confer any entitlement to compensation under that scheme. As such, the Notes are obligations of the Issuer only and any potential investors should be aware that they will not be able to have recourse to any of the guarantees or compensation schemes set out above in relation to an investment in the Notes.

### ***Help to Buy Scheme not applicable to Loans in the Mortgage Pool***

In March 2013, the UK Government announced the “Help to Buy” Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to borrowers for the purchase of new homes. The shared equity loans were available from 1 April 2013. The upper limit for the equity loan was increased in London by the London Help to Buy Scheme from 1 February

2016. No shared equity loans are included in the Mortgage Pool. The second involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio. The guarantee loans were available from 1 October 2013 (each of the loans under this scheme, a Help to Buy Loan). The Loans in the Mortgage Pool do not benefit from any guarantee provided under the Help to Buy Scheme and the Mortgage Pool does not contain any Help to Buy Loans.

### ***Equitable interest***

Legal title to the Mortgages in the Mortgage Pool over registered land in England and Wales is, or is in the course of being, registered in the name of the Legal Title-Holder, and will remain with the Legal Title-Holder. The sale by the relevant Seller to the Issuer, of Mortgages over such land will take effect in equity only, since, save in the circumstances set out below, no application will be made to the Land Registry to register the Issuer as legal owner of such Mortgages. Neither the Issuer nor the Trustee will apply to the Land Registry to register their interest in such Mortgages. See “*Title to the Mortgage Pool*” below.

As a consequence of neither the Issuer nor the Trustee obtaining legal title to the Mortgages by not registering or recording their respective interest in the Land Registry (where applicable), a *bona fide* purchaser from the Legal Title-Holder for value of any of such Mortgages without notice of any of the interests of the relevant Seller, the Issuer or the Trustee (and certain similar third parties) might obtain a good title free of any such interest. Further, the rights of the Issuer and the Trustee may be or become subject to equities (for example, rights of set-off as between the relevant Borrowers or insurance companies and the Legal Title-Holder). However, the risk of third party claims obtaining priority to the interests of the relevant Seller, the Issuer or the Trustee would be likely to be limited to circumstances arising from a breach by the Legal Title-Holder, the relevant Seller or the Mortgage Administrator (or any delegate or replacement thereof, as the case may be) of its contractual obligations, representations or warranties or fraud, negligence or mistake on the part of the relevant Seller, the Legal Title-Holder or the Mortgage Administrator (or any delegate or replacement thereof, as the case may be) or their respective personnel or agents. (See “*Title to the Mortgage Pool*” below). Furthermore, for so long as neither the Issuer nor the Trustee have obtained legal title, they must join the Legal Title-Holder as a party to any legal proceedings which they may wish to take against any Borrower or in relation to the enforcement of any Mortgage. In this regard, the Legal Title-Holder will undertake, for the benefit of the Issuer and the Trustee, that it will lend its name to, and take such other steps as may reasonably be required by the Issuer or may be required by the Trustee in relation to, any legal proceeding in respect of any Mortgage. In the event that the Legal Title-Holder is in administration, discretionary leave of the court may be required to join the Legal Title-Holder as a party to such proceedings.

### ***Set-off risk***

As described above, the sale by the relevant Seller to the Issuer of the Loans will be given effect by an equitable assignment. As a result, legal title to the Loans will remain with the Legal Title-Holder until the occurrence of certain trigger events under the terms of the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement (as applicable) (see “*Rights of Noteholders and Relationship with Other Secured Creditors – Triggers Tables – Non-Rating Triggers Table – Perfection Events*”) or until the Legal Title-Holder exercises its discretion to transfer legal title in the Loans to an authorised third party or a substitute entity, subject to receipt of a Rating Agency Confirmation. Therefore, the rights of the Issuer may be subject to “**transaction set-off**”, being the direct rights of the Borrowers against the Legal Title-Holder.

By way of example, the relevant Borrower may set-off any claim for damages arising from the Legal Title-Holder’s breach of contract against the Legal Title-Holder’s (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Mortgages in the Mortgage Pool, 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 in the immediately preceding risk factor.

The amount of any such claim against the relevant Seller will, in many cases, be the cost to the Borrower of finding an alternative source of funds. The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses

arising from the Legal Title-Holder's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

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

The exercise of set-off rights by Borrowers may adversely affect the realisable value of the Mortgage Pool and/or the ability of the Issuer to make payments under the Notes and Certificates.

### ***Effect of the sale of the Mortgage Pool***

The Issuer has considered whether the transfer of the Loans and related security pursuant to the terms of the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement is effective to transfer to the Issuer the beneficial ownership of (but not, without further steps being taken, the legal estate in or title to) the Loans, Mortgages and Collateral Security. The Issuer has been advised that, subject to certain assumptions and qualifications, on the basis of the principles set out in *Re George Inglefield* [1933] Ch 1, as considered and applied by the Court of Appeal in *Welsh Development Agency v Export Finance Co. Ltd.* [1992] BCC 270, an English court would find the transfer was not made by way of security and therefore would not be void against a liquidator, administrator or creditor of the Legal Title-Holder or the relevant Seller. If a court were to find otherwise, investors could be adversely affected.

### ***Mortgages regulated under the Financial Services and Markets Act 2000 (the "FSMA")***

Since 31 October 2004 (the date known as "N(M)"), most first-charge residential mortgage businesses in the United Kingdom have been regulated under the FSMA and brought within the jurisdiction of the Ombudsman. This regulatory power has been exercised by the FCA as of 1 April 2013 when the Financial Services Act 2012 came into force and replaced the FSA with the Prudential Regulation Authority (the "**Prudential Regulation Authority**" or "**PRA**"), which is responsible for prudential regulation of financial institutions that manage significant risks on their balance sheets, and the FCA, which is responsible for conduct of business. Prior to that date this power was exercised by the previous regulator, the FSA. Entering into, arranging, advising on and administering Regulated Mortgage Contracts (including arranging and advising on variations to such contracts), and agreeing to do any of these things, are (subject to applicable exemptions) regulated activities under the FSMA requiring authorisation and permission from the FCA.

For credit agreements entered into before 21 March 2016, an agreement is a "**Regulated Mortgage Contract**" if it is originated on or after N(M), or originated prior to N(M) but was varied on or after N(M) such that a new contract was entered into, and if at the time the contract is entered into: (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage or charge on land (other than timeshare accommodation) in the United Kingdom; and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with any dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person (broadly, the person's spouse, near relative or a person with whom the person has a relationship which is characteristic of a spouse).

Any person carrying out a regulated activity must either be authorised by the FCA, with specific permission required from the FCA to engage in the activity or be exempted from such authorisation. 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 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 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 who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotions regime (as regards by whom promotions can be issued or approved) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on: (a) determining whether the credit agreement or any part of it falls within the definition of “a Regulated Mortgage Contract”; and (b) changes to credit agreements. Please see the section on Consumer Credit Acts 1974 and 2006 below.

An unauthorised person may arrange for an authorised person to administer its Regulated Mortgage Contracts but, if that arrangement comes to an end, that unauthorised person may commit an offence if it administers the Regulated Mortgage Contracts for more than one month after the end of the arrangement, although this will not render the contract unenforceable against the borrower.

KMC holds authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Subject to any exemption, brokers are required to hold authorisation and permission to arrange and to advise on Regulated Mortgage Contracts.

The Issuer is not and does not propose to be an authorised person 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 in relation to Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FCA authorisation and permission. If such administration agreement terminates or the appointment of an administrator thereunder is terminated, however, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement administrator having the required FCA authorisation and permission. In addition, no variation is permitted to be made to a Loan and no further advance or product switch is permitted to be made in relation to a Loan where it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Given that the Issuer will not itself be an authorised person under the FSMA, in the event that an agreement for 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 entity such as the Legal Title-Holder or the Mortgage Administrator having the required FCA authorisation and permission.

If requirements as to authorisation of lenders and brokers, or as to the issue and approval of advertisements in respect of credit secured on land, are not complied with, a Regulated Mortgage Contract (or other credit secured on land, in the case of requirements as to the issue and approval of advertisements) would be unenforceable against a borrower except with the approval of a court. A Borrower may be entitled to claim damages for loss suffered as a result of any contravention of an FCA rule by an authorised person. In the case

of such contravention by the Originator, the Borrower may claim such damages against the Originator, or set-off the amount of such claim against the amount owing by the Borrower under the Loan or any other loan agreement that the Borrower has taken with the Originator. Any such claim or set-off may adversely affect the ability of the Issuer to make payments to the Noteholders. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after N(M) may commit a criminal offence, but this will not render the Regulated Mortgage Contract unenforceable against the borrower.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**") sets out the FCA's rules for regulated mortgage activities. These rules came into force on 31 October 2004, under the handbook of the previous regulator, the FSA. Since 1 April 2013, these rules are located in the FCA's handbook. These rules cover, among other things, 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.

Failure to comply with the provisions of MCOB will not necessarily render Regulated Mortgage Contracts unenforceable. However, breaches of the rules in MCOB are actionable by borrowers who suffer loss as a result of the contravention. A breach could therefore give rise to a claim by a borrower to set-off sums due under a Regulated Mortgage Contract. Any such set-off in relation to a Loan in the Mortgage Pool may adversely affect the Issuer's ability to make payments on the Notes.

Prudential and authorisation requirements placed on authorised persons in respect of regulated mortgage activities came into force on N(M), together with rules covering the extension of the appointed representatives regime (which previously applied to investment business) to mortgages.

The Issuer understands that all Loans were originated on or after N(M). All Loans originated on or after N(M) were intended to be Regulated Mortgage Contracts under the FSMA.

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

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

In June 2010 the previous regulator, the FSA, made changes to MCOB which effectively converted previous guidance on the policies and procedures to be applied by authorised firms with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under the new 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 relevant borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. These new rules are currently in effect under the FCA's MCOB sourcebook. While the FSA had previously indicated that it does not expect each forbearance option referred to in the new rules to be explored at every stage of interaction with the borrower, it is clear that the new rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions. These rules are currently effective under the FCA handbook. As a result, the new rules may operate in certain circumstances to require KMC to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the asset servicing arrangements contemplated by such Transaction Documents) in respect of one or more Loans and the Transaction Documents will provide that KMC will incur no liability as a result thereof. No assurance can

be made that any such actions will not impact adversely on the Issuer's ability to make payments on the Notes, although the impact of this will depend on the number of Loans which involve a Borrower who experiences payment difficulties.

Changes to UK and EU mortgage regulation, particularly as a result of the MCD (as defined below) may affect the Mortgage Pool, the Sellers, the Legal Title-Holder, the Issuer and/or the Mortgage Administrator and their respective businesses and operations. Until the MCD is fully implemented into UK law, it is not fully possible to ascertain what effect it would have on the Mortgage Pool, the Sellers, the Legal Title-Holder, the Issuer and/or the Mortgage Administrator and their respective businesses and operations.

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

Under the FSMA, the Ombudsman is required to make decisions on, *inter alia*, 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 the circumstances of the case, taking into account, *inter alia*, law and guidance. Transitional provisions exist by which certain complaints relating to breach before N(M) of the then applicable industry code may be dealt with by the Financial Ombudsman Service. Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

As the Ombudsman is required to make decisions based on, *inter alia*, the principles of fairness and may order a money award to the borrower it is not possible to predict how any future decision of the Ombudsman could affect the ability of the Issuer to make payments to the Noteholders.

### ***Enforcement***

Even assuming that the Properties provide adequate security for the Loans, delays could be encountered in connection with enforcement of the Mortgages and recovery of the Loans with corresponding delays in the receipt of related proceeds by the Issuer.

In order to realise its security in respect of a Property, the relevant mortgagee (be it the legal owner (the Legal Title-Holder), the beneficial owner (the Issuer) or the Trustee or its appointee (if the Trustee has taken enforcement action against the Issuer)) will need to obtain possession. In England and Wales, there are two means of obtaining possession for this purpose: first, by taking physical possession (seldom done in practice) and secondly, by applying for, obtaining and enforcing a court order.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower at risk of eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay. Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements or may incur certain financial liabilities in respect of the Property. Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the Mortgage or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the Mortgage.

Proceedings for the repossession and/or sale of the relevant property are generally initiated between three and four months after the first default of a scheduled monthly payment.

The Trustee has the absolute discretion, at any time, to refrain from taking any action under the Trust Deed or the Deed of Charge or any of the Transaction Documents including becoming a mortgagee in possession in respect of any property contained within the Mortgage Pool, unless it is satisfied at that time that it is indemnified and/or secured and/or pre-funded to its satisfaction against any liability which it may incur by so acting.

### ***Responsible Lending and Dealing with Customers in Arrears***

Lenders regulated by the FSMA are subject to “responsible lending” requirements in relation to Regulated Mortgage Contracts. They are obliged to take account of the borrower’s ability to repay before deciding to enter into a Regulated Mortgage Contract (or to make further advances on such a contract). They must also put in place, and operate in accordance with, a written responsible lending policy.

Lenders regulated by the FSMA are subject to rules on treating customers in arrears fairly, including after the sale of repossessed property.

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

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

### ***Consumer Credit Acts 1974 and 2006***

Certain lending in the United Kingdom is regulated by the CCA. The regulator for credit agreements regulated by the CCA 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 Financial Conduct Authority (the “FCA”) from 1 April 2014, which issues authorisation and permission and rules and guidance on conduct of business under the FSMA. The FCA is also the regulator for Regulated Mortgage Contracts under the FSMA. The licensing regime under the CCA is different from, and additional to, the regime for authorisation under the FSMA.

A credit agreement is regulated by the CCA where: (a) the borrower is or includes an “individual” as defined in the CCA; (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 does 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 under the CCA (for example, it is intended that a Regulated Mortgage Contract under the FSMA is an exempt agreement under the CCA).

There is a risk that any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated and any credit agreement intended to be regulated by the CCA or treated as such or unregulated might instead be a Regulated Mortgage Contract, because of technical rules on (A) determining whether any credit under the CCA arises or whether any applicable financial limit of the CCA is exceeded, (B) the credit agreement is exempt under the CCA and (C) changes to credit agreements.

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, documentation and procedures of credit agreements and (in so far as applicable) pre-contract disclosure. If it does not comply with those

requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower:

- (x) without an order of the OFT, if the lender or any broker does not hold the required licence at the relevant time;
- (y) totally, if the credit agreement was made before 6 April 2007 and if the form to be signed by the borrower was not signed by the borrower personally or omits or mis-states a “prescribed term”; or
- (z) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender.

A court order under Section 126 of the CCA is necessary to enforce a land mortgage 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 a credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

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. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of a rule under the FSMA. From 1 April 2014, such rules include rules in the Consumer Credit sourcebook (“CONC”). The borrower may set-off the amount of the claim against the lender under section 75 of the CCA, or for contravention of CONC, against the amount owing by the borrower under the loan or under any other loan that the borrower has taken with the lender. Any such set-off in relation to a Loan in the Mortgage Pool may adversely affect the Issuer’s ability to make payments on the Notes and Certificates.

The Consumer Credit Act 2006 (the “CCA 2006”), which amends and updates the Consumer Credit Act 1974, was fully implemented by 31 October 2008.

Under the CCA 2006, the “extortionate credit” regime is replaced by an “unfair relationship” test. The unfair relationship test applies to all existing and new credit agreements except Regulated Mortgage Contracts under the FSMA. The unfair relationship test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee such as the Issuer. In applying the new unfair relationship test, the courts will be able to consider a wider range of circumstances surrounding the transaction, including the creditor’s conduct before and after making the agreement. There is no statutory definition of the word “unfair”, as the intention is for the test to be flexible and subject to judicial discretion. However, the word “unfair” is not an unfamiliar term in United Kingdom legislation, due to the Unfair Contract Terms Act 1977, and the UTCCR. The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of “*treating customers fairly*” under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and by the OFT on the unfair relationship test may also be relevant. Once the borrower alleges that an unfair relationship exists, then the burden of proof is on the creditor to prove the contrary.

If a mortgage loan subject to the unfair relationship test is found to be unfair, the court may require the creditor to repay sums to the debtor, to do, not do or cease doing anything in relation to the agreement, reduce or discharge any sums payable by the debtor or surety, return to a surety any security provided by him, alter the terms of the agreement, direct accounts to be taken or otherwise set aside any duty imposed on the debtor or surety. The term creditor as defined under section 189 of the CCA means the person providing the credit under a consumer credit agreement or the person to whom his rights and duties under the agreement have passed by assignment or operation of law.

An alternative dispute resolution scheme for consumer credit matters is run by the Ombudsman (as described below) and was established on 6 April 2007. The scheme is mandatory for all businesses licensed under the



CCA. The OFT is given far broader powers under the CCA 2006 from 6 April 2008. For example, it can apply civil penalties, has far greater powers of investigation and can issue indefinite standard licences. For appeals against such decisions by the OFT, the CCA 2006 introduced an independent Consumer Credit Appeals Tribunal, whose functions were transferred to the General Regulatory Chamber on 1 September 2009.

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period when the lender fails to comply with requirements as to default notices. From 1 October 2008: (i) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices; (II) the borrower will not be liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure; and (iii) interest upon default fees will be restricted to nil until the twenty-ninth day after the day on which a prescribed notice is given and then to simple interest (i.e. interest may only be calculated on the principal amount of the defaulted loan). Charges payable on any early repayment in full are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies to credit agreements made on or after 31 May 2005, and applies retrospectively to all existing credit agreements from 31 May 2007 or 31 May 2010 depending on their term.

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

These changes to the CCA may adversely affect the Issuer's ability to make payments in full when due to Noteholders and Certificateholders.

The Legal Title-Holder has interpreted 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 by the Ombudsman, then a Loan, to the extent that it is regulated by the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of Borrowers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The transposition of the MCD into UK law will result in certain buy to let and second charge mortgage lending being regulated under FSMA, rather than under the CCA. These changes may require firms conducting such activities to apply to change their Part 4A authorisations to reflect this change. The MCD was fully implemented into UK law on 21 March 2016 and it is not yet clear what effect this will have on the Mortgage Pool, the Sellers, the Legal Title-Holder, the Issuer and/or the Mortgage Administrator and their respective business and operations.

### ***Consumer Credit Directive 2008***

In April 2008, the European Parliament and the Council adopted a second Directive on consumer credit (the "**Consumer Credit Directive**"), which provides that, subject to exemptions; loans not exceeding €75,000 will be regulated. This Directive repealed and replaced the first consumer credit Directive and required Member States to implement the Directive by measures coming into force by, 11 June 2010, although the UK Government announced in February 2010 that implementation of the Consumer Credit Directive in the United Kingdom would be delayed. The Consumer Credit Directive came into effect in the United Kingdom on 1 February 2011.

Loans secured by a mortgage over land are, however, exempted from the Consumer Credit Directive.

In the event that any of the Loans are not secured by a land mortgage, there is a risk that they will be wholly or partly regulated by the Consumer Credit Directive or treated as such. This may adversely affect the ability of the Issuer to make payments in full when due on the Notes and Certificates.

### ***Mortgage repossession***

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

This protocol and this Act may have adverse effects in markets experiencing above average levels of repossession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and may adversely affect the ability of the Issuer to make payments to Noteholders.

### ***Unfair Terms in Consumer Contracts Regulations 1994 and 1999***

The Unfair Terms in Consumer Contracts Regulations 1999 as amended (the “**1999 Regulations**”) and (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 prior to 1 October 2015 and apply to approximately half of the Loans.

The UTCCR provides that:

- a consumer (which would include a borrower under all or almost all of the Loans) may challenge a standard term in an agreement on the basis that it is “unfair” within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term); and
- the lead enforcement body and any qualifying body for the UTCCR (such as the FCA) may seek to enjoin a business from relying on unfair terms.

The UTCCR will not affect terms, which set out the main subject matter of the contract such as the borrower's obligation to repay the principal (**provided that** these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention). The UTCCR may affect terms which are not considered to define the main subject matter of the contract, which may include the ability to choose a substitute for LIBOR where LIBOR cannot be determined under the loan agreement, and certain terms imposing early repayment charges and mortgage exit administration fees, and other terms the application of which are in the lender's discretion.

For example, if a term permitting the lender to vary the interest rate is found to be unfair, the borrower would not be liable to pay the increased rate or, to the extent that he has paid it, would 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 such claim against the amount owing by the borrower under the loan agreement or under any other loan agreement that the borrower has taken with the lender. Any such non-recovery, claim or set-off ultimately may adversely affect the ability of the Issuer to make payments to Noteholders and Certificateholders.

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

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012. However, on 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. Such material “no longer reflects the FCA’s views on unfair contract terms” and firms should no longer rely on the content of the documents that have been removed. The FCA has not indicated how it considers the material it has removed to be inconsistent with its current views, nor has it said when it expects to be in a position to update the withdrawn materials.

The FCA will consider how the guidance should be updated in light of the following developments: Consumer Rights Act 2015; the CMA’s guidance consultation on the unfair contract terms provisions in the Consumer Rights Act, which closed to comments on 30 March 2015; and Court of Justice of the EU (The European Court of Justice) case law concerning the Unfair Contracts Terms Directive (93/13/EC). These are outlined in further detail below.

The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explained the FCA’s policy on how it used its formal powers under the 1999 Regulations, although comprehensive guidance on the UTCCR themselves was not provided.

Whilst the FCA has 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 or may be made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the 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 and Certificateholders on the Certificates.

Any regulatory or legislative changes or further actions required of KMC and its affiliates such as those described above may adversely affect the ability of the Issuer to make payments to the Noteholders and Certificateholders.

#### *Consumer Rights Act 2015*

The Consumer Rights Act 2015 (“**CRA**”) came into force on 1 October 2015 and applies to agreements made on or after that date. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR. The CRA revokes the UTCCR and introduces a new regime for dealing with unfair contractual terms as follows:

Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual’s trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties’ rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

Schedule 2 contains an indicative and non-exhaustive “grey list” of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 lists “a term which has the object or effect of enabling the trader to

alter the terms of the contract unilaterally without a valid reason which is specified in the contract”. Although paragraph 22 provides that this does not include (i) terms by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or (ii) the amount of other charges for financial services without notice, where there is a valid reason the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

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

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

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015. This new regime does not seem to be significantly different from the regime under the UTCCR. However, this area of law is rapidly developing and we can expect new regulator guidance and case law as a result of this new legislation. No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Sellers, the Legal Title-Holder, the Issuer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans.

#### *Case law of the ECJ on unfair terms*

It is likely that such guidance (and any attendant guidance issued by the FCA) will take account of recent developments in ECJ case law on the interpretation of the Unfair Terms Directive (93/13/EEC) (which was implemented in the UK by the UTCCR) including: (i) *Nemzeti Fogyasztóvédelmi Hatóság v Invitel Távközlési Zrt* where the ECJ ruled that mandatory rules on variation and termination rights must be set out clearly in consumer contracts; (ii) *RWE Vertrieb AG v Verbraucherzentrale* which emphasises the foundations of consumer protection on inequality of bargaining power and imbalances in information.

In the case of *Árpád Kásler and Hajnalka Káslerné Rábai v OTP Jelzálogbank ZRT* the ECJ ruled that, under the Unfair Terms Directive the expression the “main subject matter of a contract” covers such a term only in so far as it lays down an essential obligation of that agreement that, as such, characterises it and that such a term, in so far as it contains a pecuniary obligation for a consumer to pay, in repayment of instalments of a loan, cannot be considered as “remuneration” the adequacy of which as consideration for a service supplied by the lender that cannot be the subject of an examination as regards unfairness. Secondly, the requirement for a contractual term to be drafted in plain intelligible language is to be understood as requiring that the relevant term should be grammatically intelligible to the consumer, so that the consumer is in a position to evaluate, on the basis of clear, intelligible criteria, the economic consequences for him that derive from it. Finally, where a contract concluded between a seller or supplier and a consumer cannot continue in existence after an unfair term has been deleted, that provision does not preclude a rule of national law enabling the national court to cure the invalidity of that term by substituting for it a supplementary provision of national law.

It remains to be seen how these judgements will impact the position in the UK. No assurance can be given that this case law will not have a material adverse effect on the Sellers, the Legal Title-Holder, the Issuer and their respective businesses and operations. There can be no assurance that this case law will not affect the Loans.

### ***Financial Services (Distance Marketing) Regulations 2004***

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by a “consumer” within the meaning of these regulations by means of distance communication (i.e. without any substantive simultaneous physical presence of the lender 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. Any other credit agreement will be cancellable under these regulations, if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. The borrower may send notice of cancellation under these regulations at any time before the end of the fourteenth 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 lender to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower sending notice of cancellation or, if later, the originator receiving notice of cancellation; (b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and (c) any security is treated as never having had effect for the cancelled agreement.

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

### ***Consumer Protection from Unfair Trading Regulations 2008***

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the “**Unfair Commercial Practices Directive**” or “**UCP**”). Generally, the Unfair Commercial Practices Directive applies full harmonisation, which means that member states of the European Union may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this Directive permits member states of the European Union to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans. The Unfair Commercial Practices Directive provided for a transitional period until 12 June 2013 for applying full harmonisation in the fields to which it applies. The Unfair Commercial Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 (the “**CPUTRs**”). The CPUTRs came into effect on 26 May 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTRs are not concerned solely with financial services, they do apply to the residential mortgage market.

Under the CPUTRs a commercial practice is to be regarded as unfair and therefore prohibited if it is:

- (a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or general principles of good faith in the trader’s field of activity; and
- (b) materially distorts or is likely to materially distort the economic behaviour of the average consumer (who is reasonably well-informed and reasonably observant and circumspect, and taking into account social, cultural and linguistic factors) who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group).

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading

marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair.

The Law Commission and the Scottish Law Commission reviewed the current private law in this area and found it to be fragmented and unclear. On 28 March 2012 the two Commissions published a report entitled “*Consumer Redress for Misleading and Aggressive Practices*”, which sets out recommendations for reform.

On 14 March 2013 the European Commission published the results of its review on the application of the UCP. The Commission does not propose amending the UCP but has indicated that intensified national enforcement and reinforced cooperation in cross-border enforcement are needed. Going forward the Commission will consider how it can play a more active role in enforcement and will continue to perform in-depth reviews of how the directive works in practice.

The Consumer Protection (Amendment) Regulations 2014 came into force on 1 October 2014. This legislation gives consumers a direct right of action including a right to unwind agreements within 90 days of entering into the contract if a misleading or aggressive practice under the CPUTRs was a significant factor in the consumer’s decision to enter into the contract. The amendments to CPUTRs also extend the regime so that it covers misleading and aggressive demands for payment: The legislation applies to demands for payment for restricted-use credit (where the credit must be used to finance a particular transaction) where the misleading or aggressive commercial practice: (i) began before 1 October 2014 and continues after that date – however, a consumer will only be able to exercise his new direct rights of action if a contract is entered into, or payments are made, after the date the legislation comes into force; and (ii) occurs on or after 1 October 2014. This will apply to any unregulated buy-to-let contracts in the Mortgage Pool and any debt collection activity with regard to demands for repayment.

The effect (if any) of the CPUTRs on the Loans, the Sellers, the Legal Title-Holder or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator and may lead to criminal sanctions.

No assurance can be given that the CPUTRs will not adversely affect the ability of the Issuer to make payments to Noteholders and Certificateholders.

### ***Enforcement of Buy to Let Loans***

The Dwelling Houses (Execution of Possession Orders by Mortgagees) Regulations 2010 came into effect on 1 October 2010 and contain new requirements for creditors to give at least 14 days’ notice of their intention to execute a possession order over residential premises which have been let. Additionally, pursuant to the Mortgage Repossessions (Protection of Tenants etc.) Act 2010, a court could delay execution of possession orders for up to two months on an application by a tenant. These changes in the law may delay the Legal Title-Holder exercise of its power of sale in relation to the Buy-to-Let Loans and may in turn reduce the timeliness of receipts receivable by the Issuer under the Mortgage Pool and may adversely impact on the ability of the Issuer to make payments under the Notes.

### ***European Matters and UK’s potential exit from the European Union***

Recent European elections have seen an increase in support for Eurosceptic parties. This, coupled with generally poor economic conditions in Europe, could pose a threat to the United Kingdom’s continued economic recovery. On 17 December 2015, the EU Referendum Act received Royal Assent, which confirms that a referendum on the UK’s membership of the EU will be held by 31 December 2017. It has since been confirmed that the referendum will take place on 23 June 2016. The outcome of such a referendum is not known and there is considerable uncertainty as to the impact of either a “yes” or a “no” vote on the general economic condition in the UK, the UK’s financial services industry and the UK housing market. As such, no

assurance can be given as to the impact of the referendum on the UK's membership of the EU and in particular, no assurance can be given that such matters would not adversely affect the Issuer or one or more of the other parties to the Transaction Documents and/or any Borrower. Further, 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.

Additionally, whilst the United Kingdom is not a member of the euro, instability within the currency union could also provide a source of risk to both United Kingdom economic performance and financial markets which, in turn, may adversely affect payments on the Notes.

***Risks relating to the Banking Act 2009 and the Bank Recovery and Resolution Directive***

Under the Banking Act 2009 (the “**Banking Act**”), substantial powers have been granted to HM Treasury, the Bank of England and the FSA (which term, when used in relation to a date on or after 1 April 2013, shall be deemed to refer to the FCA and/or PRA (as applicable)) (the FSA together with HM Treasury and the Bank of England, the “**Authorities**”) as part of the special resolution regime (the “**SRR**”). These powers (which apply regardless of any contractual provisions) enable the Authorities to deal with and stabilise United Kingdom-incorporated institutions with permission to accept deposits pursuant to Part IV of the FSMA (such as the Account Bank, the Collection Accounts Provider, the Swap Counterparty and the Swap Collateral Account Bank) (each a “**relevant entity**”) that are failing or are likely to fail to satisfy the threshold conditions (within the meaning of section 41 of the FSMA). The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” wholly-owned by the Bank of England; and (iii) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances. In the event that the Banking Act 2009 applies to this transaction this may result in a change in the contractual terms applicable to the Notes without the consent of the Noteholders, or (as applicable) to the Certificates without the consent of the Certificateholders. It is possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the relevant entity could be made.

The Banking Act also includes provisions relating to two new insolvency procedures which may be commenced by specified UK authorities (bank insolvency and bank administration). The tools currently available under the Banking Act include share and property transfer powers (including powers for partial property transfers), 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 these extended tools could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made. In general, there is considerable uncertainty about the scope of the powers afforded to Authorities under the Banking Act and how the Authorities may choose to exercise them. Further, UK authorities have a wide discretion in exercising their powers under the special resolution regime, including modifying or setting aside any Act of Parliament by order of HM Treasury to facilitate its Banking Act objectives.

In general, the Banking Act requires the Authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the United Kingdom. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it. The Authorities are also empowered by order to amend the law for the purpose of enabling the powers under the SRR to be used effectively. An order may make provision which has retrospective effect.

If an instrument or order were to be made under the Banking Act in respect of a relevant entity, 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 modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined “default events” have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination and acceleration events). As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the Issuer to meet its obligations in respect of the Notes. 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.

Amendments have also been made to the Banking Act to introduce a new bail-in tool, which tool permits the Bank of England in certain circumstances to cancel or modify contracts for the purposes of reducing or deferring liabilities of relevant entities (including UK banks, banking group companies and building societies) and/or to convert liabilities of such entities into different forms.

This regime has also been amended to ensure that it is compliant with the EU’s Bank Recovery and Resolution Directive (2014/59/EU) (the “**Directive**”). The Directive 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 Directive 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 Directive has been implemented in the UK via the Bank Recovery and Resolution Order 2014 (“**BRRD Order**”), which came into force on 1 January 2015.

There can be no assurance that the Noteholders or Certificateholders will not be adversely affected by the amendments and/or any action taken under the new bail-in tool. Accordingly, it is not yet possible to assess the full impact of the UK bail-in tool on a relevant entity and there can be no assurance that it will not materially and adversely affect the relevant entity’s operating results, financial position and prospects.

At present, the Authorities have not made an instrument or order under the Banking Act or the BRRD Order 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.

### ***Changes to United Kingdom and EU Mortgage regulation***

#### *FCA mortgage market review*

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

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, *inter alia*, affordability assessments, product regulation, arrears charges and responsible lending. The FSA’s aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that generally came into force on 26 April 2014 with transitional



arrangements where, among other things, the borrower does not take on additional borrowing. These rules have, for example, imposed more stringent requirements on lenders to assess the affordability of a loan made to a borrower, to verify the income of a borrower and (in the case of interest-only loans) to ensure that the borrower has a credible strategy to repay the capital borrowed, as well as undertaking stress tests to ensure that mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan. There are also changes to disclosure requirements (the initial disclosure document is replaced with a requirement for firms to disclose key messages to customers), arrears management and the sales process.

The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013, and mortgages entered into on or after 26 April 2014 must comply with these new rules. These new rules will apply to a Loan where (i) it is entered into on or after 26 April 2014; or (ii) where it is varied so as to increase the principal amount outstanding under the relevant Loan (e.g. by way of further advance) on or after 26 April 2014 and MCOB applies to the Loan generally as a regulated mortgage contract (as to which see "*Financial Services and Markets Act 2000*" above). To the extent that further advances are made which constitute new loans, or a loan is varied and in so doing a new loan is created under the new terms and such loans are regulated mortgage contracts, then these new rules would apply. To the extent that the new rules do apply to any of the Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Loan. Any such claim or set-off may adversely affect the Issuer's ability to make payment on the Notes and Certificates.

#### *EU initiatives on Mortgage Credit*

The European Mortgage Credit Directive (2014/17/EU) ("**MCD**") was published in the Official Journal of the European Union on 28 February 2014, and entered into force on 21 March 2014. The MCD must be transposed into the national law of Member States by 21 March 2016.

The MCD applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a member state of the European Union (a "**Member State**") on residential immovable property, or secured by a right relating to residential immovable property and (b) credit agreements the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building, and also extends the Consumer Credit Directive to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a maximum total amount of credit of EUR 75,000. The MCD does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

The MCD 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 MCD also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The UK Government and the FCA have consulted on the transposition and implementation of the directive. In September 2014 the UK Government published a consultation paper on the transposition of the directive together with a draft impact assessment and draft Mortgage Credit Directive Order 2015. The draft Order contains amendments to legislation including FSMA, CCA and the RAO. The final text of the draft Order together with a draft explanatory memorandum and draft transposition table, was published on [legislation.gov.uk](http://legislation.gov.uk) on 28 January 2015. The FCA also published a cost benefit analysis, prepared by KPMG LLP of the policy proposals for second charge lending.

The UK Government has sought to put in place what it has described as the minimum requirements to meet its legal obligations under the MCD in respect of buy-to-let mortgages. The UK Government has, accordingly, made use of an optional exemption in the MCD which allows Member States, in their discretion, to exclude

buy-to-let credit agreements from the main requirements of the MCD. Member States utilising such exemption must, instead, ensure the application of an appropriate framework at a national level for this type of credit.

On 25 March 2015 the MCD Order 2015 (the “**MCD Order**”) was passed in order to make the necessary legislative changes to implement the MCD. In outline, the MCD Order will: (i) put in place a new regulatory regime for consumer buy-to-let mortgages (“**CBTL mortgages**”); (ii) widen the definition of a Regulated Mortgage Contract to include second mortgages; and (iii) transfer the regulation of some existing agreements (e.g. second mortgages) from the consumer credit regime to the regulated mortgage contract regime. The MCD Order took effect for most purposes on 21 March 2016.

In parallel, the FCA consulted on the implementation of this new framework, making its Mortgage Credit Directive Instrument 2015, also on 25 March 2015. The legislation came into force on 21 March 2016, creating a new distinction between CBTL mortgages and buy-to-let mortgage agreements wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower (“**Unregulated BTL Agreements**”). The legislation sets out a series of circumstances which would indicate a buy-to-let customer is acting by way of business. The UK Treasury has stated that they would expect CBTL activity to represent a small proportion of total buy-to-let transactions. A firm acting as a lender, administrator, intermediary, arranger or carrying out advisory services in relation to CBTL mortgages must be registered with the FCA and will be subject to conduct of business rules in respect of both the origination and servicing of CBTL mortgages. The Originator and the Mortgage Administrator will be subject to the conduct of business rules in respect of any CBTL mortgages in the mortgage portfolios.

On 27 March 2015 the FCA published their Policy Statement PS 15/9, which contains the final text of the Handbook material giving effect to the MCD. This Handbook material contains extensive changes to MCOB. Lenders will have the option to elect to apply these new requirements from 21 December 2015 onwards, but they became mandatory from 21 March 2016.

As the MCD Order and the changes to MCOB only came into force on 21 March 2016 it is not possible to fully assess what effect these changes will have on the Mortgage Pool, the Sellers, the Legal Title-Holder, the Issuer and/or the Mortgage Administrator and their respective businesses and operations and no assurance can be given that the implementation of the CBTL rules from 21 March 2016 will not have a material adverse effect on the Loans or the manner in which they are serviced and accordingly on the ability of the Issuer to make payments to Noteholders.

Any further changes to MCOB or changes in the regulatory framework, may adversely affect the Loans, the Sellers and/or the Mortgage Administrator and their respective businesses and operations.

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

No assurance can be given that action and rules and regulations, additional to those discussed above, from any regulatory authority will not be implemented with regard to the mortgage market in the United Kingdom generally, the particular sector in that market in which KMC operates or specifically in relation to KMC. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Loans, KMC and the Issuer and their respective businesses and operations. This may adversely affect the Issuer’s ability to make payments to the Noteholders and Certificateholders.

#### ***English law 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 and Certificates. In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired. While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders and/or the

Certificateholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

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

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

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, 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 question of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders and Certificateholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security. (See “*Liquidation Expenses*” below).

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

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

The UK Supreme Court has recently affirmed that such a subordination provision is valid under English law. Contrary to the determination of the UK Supreme Court, the US Bankruptcy Court recently held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known. Like the recent English decision, the US decision may be subject to appeal.

If a creditor of the Issuer (such as the Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents. Laws may be relevant in certain circumstances with respect to a range of entities, including US established entities and certain non-US established entities with assets or operations in the US (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed branch in a US state). In general, if a subordination provision included in the Transaction Documents (such as the subordination of the Swap Subordinated Amounts) was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the Certificateholders, the market value of the Notes, the Certificates, and/or the ability of the Issuer to satisfy its obligations under the Notes or Certificates.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of the payments due to certain parties in certain circumstances post-enforcement, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Notes. If any rating assigned to the Notes is lowered, the market value of the Notes may be adversely affected.

### ***Liquidation Expenses***

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

On this basis and as a result of the changes described above, in a winding up of the Issuer, floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Deed of Charge may be reduced by at least a significant proportion of any liquidation expenses. There can be no assurance that the holders of the Notes and Certificates will not be adversely affected by such a reduction in floating charge realisations.

### ***Impact of regulatory initiatives on certain investors***

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

### ***Securitisation Regulation***

In February 2015 the European Commission unveiled its plan to boost funding and growth across Europe by creating a Capital Markets Union ("CMU"), by publishing a Green Paper on Building a Capital Markets

Union and launching a technical consultation as "simple, transparent and standardised securitisation". On 12 May 2015, the Joint Committee of the three European Supervisory Authorities published a report detailing its findings and recommendations regarding the disclosure requirements and obligations relating to due diligence, supervisory reporting and retention rules in existing EU law on securitisation, including but not limited to the CRR, the AIFMR, the Solvency II Regulation and CRA3. In September 2015 the EU Commission proposed and published a draft Securitisation Regulation, which is intended to introduce a single, uniform regulatory framework for securitisation, and which sets out requirements for simple, transparent and standardised securitisations. Investors should be aware that the various recommendations made in the above may, if adopted, result in additional regulation, not only for the Issuer and the Trustee but also for investors and other parties to the transaction. No assurance can be given as to the effect of such additional regulation or the cost of compliance.

The CMU is a long term EU project that aims to create a single capital market. The draft Securitisation Regulation provides, in a securitisation context, that qualifying simple, transparent and standardised ("STS") securitisations should be subject to less onerous capital treatment; that certain aspects of existing legislation (including the Solvency II Regulation and AIFMR) should be repealed and replaced with a single EU-wide securitisation regulation; and that the onus of demonstrating that a securitisation meets STS criteria is not solely the responsibility of the originator. While the project is long term (it is anticipated that the main building blocks of CMU will not be in place until 2019), the EC has identified certain areas where progress could be made in the short term, including in the area of promoting high-quality securitisations. No assurance can be given as to the effect of such additional regulation, to what extent it will apply to the transaction under consideration and how it will interface with the Joint-Committee Report on Securitisation referred to in the previous paragraph.

#### ***Risks relating to U.S. Volcker Rule***

The Issuer has been structured so as not to constitute a "covered fund" for purposes of the Volcker Rule and its implementing regulations. If the Issuer is considered a "covered fund", the liquidity of the market for the Notes may be materially and adversely affected, since banking entities could be prohibited from, or face restrictions in, investing in the Notes. See "*Certain Regulatory Disclosures – Volcker Rule*" for more detail.

#### ***Compliance with European risk retention requirements***

Investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including 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 for certain categories of investor. Investors should therefore make themselves aware of 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 asset exposures to be held by Kayl Holdco are transferable, Kayl Holdco has covenanted to maintain its retention, on an ongoing basis as an originator within the meaning of the CRR, AIFMR and the Solvency II Delegated Act with a material net economic interest of at least 5 per cent. in the securitisation, in accordance with the Retention Requirement. Any change to the manner in which such interest is held will be notified to investors.

With respect to the commitment of Kayl Holdco to retain a material net economic interest in the securitisation constituted by the transaction 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 “*Certain Regulatory Disclosures – Retention Requirements and exposure to the Retained Interest*”. 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 Arranger, the Joint Lead Managers, KMC, the Sellers or any other party to a Transaction Document 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 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.

In the event that a regulator determines that your investment in the Notes did not comply or is no longer in compliance with the EU risk retention and due diligence requirements described above, then you may be required by your regulator to set aside additional capital against your investment in the Notes or take other corrective action. In addition, affected investors may be less likely to purchase any of the Notes, which may have a negative impact on the ability of investors in the Notes to resell their Notes in the secondary market or on the price realised for such Notes.

#### ***Implementation of and/or changes to the Basel Framework***

The Basel Committee on Banking Supervision (the “**Basel Committee**”) approved significant changes to Basel II (being the revised international capital framework of the Basel Committee, published in 2004) regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as “**Basel III**”). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio “backstop” for financial institutions and certain minimum liquidity standards (referred to as the “**Liquidity Coverage Ratio**” and the “**Net Stable Funding Ratio**”). The European Commission published the final version of the Delegated Regulation for the LCR in October 2014, which was published in the Official Journal of the EU on 17 January 2015 and applies from 1 October 2015. The minimum LCR requirement of 60 per cent. as of October 2015 will reach 100 per cent. as of 1 January 2018. The Net Stable Funding Ratio is intended to apply from January 2018. Implementation of Basel III requires national legislation and therefore 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 proposed new hierarchies of approaches to calculating risk weights and a new risk weight floor of 15 per cent.

Implementation of the Basel framework (to the extent that it has not already been fully implemented in member countries) and/or of any of the changes put forward by the Basel Committee as described above may have an impact on the capital requirements in respect of the Notes or Certificates and/or on incentives to hold the Notes or Certificates for 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 or Certificates.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and Certificates and as to the consequences for and effect on them of any changes to the Basel

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.

### ***EMIR and MiFID II/MiFIR***

The Swap Counterparty has agreed to provide hedging to the Issuer and investors should be aware that, further to Regulation (EU) n. 648/2012 of the European Parliament and of the Council of 4 July 2012 (“**EMIR**”), the Issuer is subject to certain regulatory requirements including, but not limited to, various compliance requirements for non-cleared “over-the-counter” derivative transactions (known as the ‘risk mitigation techniques’) and the requirement to report derivative transactions to a trade repository or to the European Securities and Market Authority (“**ESMA**”) which may result in future amendments by the Issuer to the Transaction Documents, in particular where Noteholder or Certificateholder consent will not be required for such amendments. The ‘risk mitigation techniques’ include requirements for timely confirmation, portfolio reconciliation, and dispute resolution. The Swap Counterparty will provide services to the Issuer which are required in order for the Issuer to comply with its reporting and portfolio reconciliation obligations under EMIR, to the extent that they may be delegated.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by the proposals to amend the existing Markets in Financial Instruments Directive. The official texts of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (“**MiFID II**”) and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (“**MiFIR**” together with MiFID II “**MiFID II/MiFIR**”) were published in the EU Official Journal on 12 June 2014 and entered into force on 2 July 2014. MiFIR is a Level -1 regulation and requires secondary rules for full implementation of all elements. The implementing measures that supplement MiFIR will take the form of delegated acts and technical standards. On 23 April 2014 the Commission asked ESMA to produce technical advice on the necessary delegated acts.

On 22 May 2014 ESMA launched its consultation process which closed on 1 August 2014. On 19 December 2014 ESMA published a final report containing its technical advice to the Commission as well as a consultation paper with draft technical standards. During 2015 ESMA published draft guidelines on various issues.

In March 2015 the FCA published a discussion paper on conduct of business and organisational requirements arising out of MiFID and HM Treasury issued a Consultation Paper on the transposition of MiFID in the UK. In December 2015 the FCA issued a further Consultation Paper on markets issues.

The deadline for MiFID II to be transposed into national law is 3 July 2016 and for MiFID II and MiFIR to apply is 3 January 2017. However, the Commission has currently proposed a 1 year delay to the 2017 date.

Amongst other requirements, MiFIR requires certain standardised derivatives to be traded on exchanges and electronic platforms (the “**Trading Obligation**”). Regulatory technical standards will be developed to determine which derivatives will be subject to the Trading Obligation. In this respect, it is difficult to predict the full impact of these regulatory requirements on the Issuer.

Prospective investors should be aware that the regulatory changes arising from EMIR and MiFID II/MiFIR may in due course significantly raise the costs of entering into derivative contracts and may adversely affect the Issuer’s ability to engage in transactions in OTC derivatives. As a result of such increased costs or increased regulatory requirements, investors may receive less interest or return, as the case may be. Investors should be aware that such risks are material and that the Issuer could be materially and adversely affected thereby. As such, investors should consult their own independent advisers and make their own assessment about the potential risks posed by EMIR, technical standards made thereunder (including the Adopted Technical Standards) and MiFID II/MiFIR, in making any investment decision in respect of the Notes or Certificates.

## ***Tax Considerations***

### *United Kingdom Taxation Position of the Issuer*

The Taxation of Securitisation Companies Regulations (the “**Tax Regulations**”) were made under section 84 of the Finance Act 2005 (now section 624 of the Corporation Tax Act 2010) on 11 December 2006 to deal with the corporation tax position of securitisation companies such as the Issuer with effect for their periods of account beginning on or after 1 January 2007. If the Tax Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on an opinion received from Paul Hastings (Europe) LLP, the Issuer considers that it will be taxed under the special taxation regime for which provision is made by the Tax Regulations. Investors should note, however, that the Tax Regulations are in short form and it is expected that advisors will rely significantly upon guidance from the United Kingdom tax authorities when advising on the scope and operation of the Tax Regulations including whether any particular company falls within the regime provided for in the Tax Regulations. Investors should note that if the Issuer did not fall to be taxed under this regime then its profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. In addition, the deduction of interest paid on the Notes could be disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits of the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to Noteholders.

### *Diverted Profits Tax*

The Finance Act 2015, which received Royal Assent on 26 March 2015, includes provisions enacting a new tax titled the Diverted Profits Tax (the “**DPT**”). In very broad terms, the DPT applies where (a) a non UK company carrying on an activity in the UK structures its affairs so as to avoid a UK taxable presence; or (b) a company which is taxable in the UK creates a tax advantage by means of transactions which have insufficient economic substance. The corresponding “diverted profits” are subject to UK tax at 25 per cent. The DPT has effect from 1 April 2015. Whilst the precise effect of the new tax is unclear and subject to a number of uncertainties, the legislation contains provisions which seek to exclude financing arrangements from the DPT. As a result, the Issuer has been advised that the DPT is unlikely to apply to it or to affect the Revenue Receipts or Principal Receipts owing to it under the Loans. Prospective holders of Notes or the Certificates are advised to seek their own professional advice in relation to the DPT.

### *Withholding or deduction under the Notes and Certificates*

In the event that a withholding or deduction for or on account of any taxes is imposed by applicable law in respect of amounts payable under the Notes and Certificates, neither the Issuer nor the Paying Agent nor any other person is obliged to gross up or otherwise compensate holders of Notes or Certificates for the lesser amounts which they will receive as a result of the imposition of such withholding or deduction.

Following the imposition of such withholding or deduction in respect of the Notes, the Issuer may redeem the Notes subject to the requirements of and in accordance with Note Condition 5(e) of the Notes (*Redemption – Optional Redemption for Taxation or Other Reasons*) if the Issuer has sufficient funds available, thereby shortening the average lives of the Notes.

### *U.S. Foreign Account Tax Compliance (“**FATCA**”) withholding may affect payments on the Notes and Certificates.*

FATCA imposes a reporting regime and, potentially, a 30 per cent. withholding tax with respect to (a) payments of certain U.S. source income including interest and dividends, whenever made, (b) gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends on or after 1 January 2019, and (c) a portion of payments which are treated as foreign passthru payments (a term not yet defined) on the later of 1 January 2019, or the date of publication in the Federal Register of final U.S. Treasury regulations defining the term foreign passthru payments, to holders of the Notes and Certificates that fail to provide certain information to the issuer and to non-U.S. financial institutions that are not in



compliance with FATCA, including non-U.S. financial institutions through which Notes and Certificates are held. Payments on the Notes and Certificates are not expected to be U.S. source payments. Therefore, it is expected that FATCA should only apply to the extent such payments are treated as foreign passthru payments.

Whilst the Notes and Certificates are in global form and held within the Clearing Systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Clearing Systems (see the section entitled “*Taxation*”). 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. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes and Certificates are discharged once it has made payment to, or to the order of the Principal Paying Agent and the Principal Paying Agent has paid the Clearing Systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the Clearing Systems and custodians or intermediaries. Further, a foreign financial institution 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 it makes. In no circumstances will the Issuer, any Paying Agent or any other person be required to gross-up any payments in respect of any FATCA withholding.

#### *The proposed financial transactions tax (FTT)*

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

However, the FTT proposal remains subject to negotiation between the participating 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.

## **General Considerations**

### ***Reliance on Third Parties***

The Issuer has engaged KMC to administer the Mortgage Pool pursuant to the Mortgage Administration Agreement. While KMC is under contract to perform certain mortgage settlement and related administration services under the Mortgage Administration Agreement, there can be no assurance that they will be willing or able to perform these services in the future. In the event KMC is replaced as Mortgage Administrator, there may be losses or delays in processing payments on the Mortgage Pool due to a disruption in mortgage administration during a transfer to a successor Mortgage Administrator. This may cause delays in payments or losses under the Notes. In order to reduce this risk, the Mortgage Administrator has agreed to delegate certain of its obligations pursuant to the terms of the Mortgage Administration Agreement. In addition, the Issuer has appointed the Mortgage Administration Facilitator pursuant to the Mortgage Administration Agreement to assist it in the selection of a replacement Mortgage Administrator in the event of the occurrence of a Mortgage Administrator Termination Event (as described below). See *“The Legal Title-Holder”, “The Mortgage Administrator, the Cash/Bond Administrator and the Legal Title-Holder – Kensington Mortgage Company Limited”*.

Pursuant to the Bank Agreement, the GIC Provider will provide the Issuer with the GIC Interest Rate on funds on deposit in the GIC Account. See *“Credit Structure – Bank Agreement”*. In the event that the GIC Provider was to fail to perform its obligations under the agreement to which it is a party, investors may be adversely affected.

Pursuant to the Swap Agreement, the Swap Counterparty will enter into an Interest Rate Swap with the Issuer which will allow the Issuer to hedge certain risks in connection with amounts to be paid by or to it in connection with the Notes. In the event that the Swap Counterparty was to fail to perform its obligations under the Swap Agreement, investors may be adversely affected.

### ***Non-Rating***

In addition, in the event that the rating by any of the Rating Agencies of the Collection Accounts Provider or the Account Bank or the Swap Collateral Account Bank or the GIC Provider or the Swap Counterparty is downgraded, it is possible that such Collection Accounts Provider, Account Bank, Swap Collateral Account Bank, GIC Provider or the Swap Counterparty (as the case may be) may no longer meet the rating requirements as set out in the sections entitled *“Rights of Noteholders and Relationship with Other Secured Creditors – Triggers Tables – Rating Triggers Table – Collection Accounts Provider”* and *“Rights of Noteholders and Relationship with Other Secured Creditors – Triggers Tables – Rating Triggers Table – Account Bank, Swap Collateral Account Bank, GIC Provider and Swap Counterparty”*. There can be no assurance that the Collection Accounts Provider, the Account Bank, the Swap Collateral Account Bank, the GIC Provider, the Swap Counterparty or the Issuer will be able to procure that the Collection Accounts Provider, the Account Bank, the Swap Collateral Account Bank, the GIC Provider or the Swap Counterparty (as applicable) be replaced within 30 days of the downgrade of the relevant entity and there is therefore a risk that the Rated Notes will be downgraded in such circumstances.

Investors should note that upon the occurrence of a Mortgage Administrator Termination Event, the Issuer (prior to the service of an Enforcement Notice and with the consent of the Trustee) or (after the service of an Enforcement Notice) the Trustee may terminate the agency (and, simultaneously, the rights) of the Mortgage Administrator. Following the occurrence of such a Mortgage Administrator Termination Event, the Issuer shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administration Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administration Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of the Proposed Replacement to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed

Replacement, the Issuer shall appoint the Proposed Replacement as Mortgage Administrator on substantially the same terms as set out herein, **provided however that** any such appointment shall be subject to the prior written consent of the Trustee.

Accordingly, where the Mortgage Administration Facilitator makes such a selection, and provided certain other requirements are met, it is possible that the identity of the Mortgage Administrator will change, and accordingly, the counterparty exposure of the Issuer, the Noteholders and the Certificateholders to the Mortgage Administrator may also change. As this right may be exercised whenever a Mortgage Administrator Termination Event occurs, the identity of the Mortgage Administrator may change more than once during the duration of the Notes and Certificates.

However, notwithstanding the above, no assurance can be given that a replacement mortgage administrator will be identified by the Mortgage Administration Facilitator upon the occurrence of a Mortgage Administrator Termination Event or that such replacement will be completed.

As a result of the risk highlighted in the preceding paragraph, the inclusion of this right of replacement may mean that the value of the Notes or Certificates from time to time may be lower than their value would otherwise have been had no such replacement right been included.

### ***Minimum Denominations***

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

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

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

A nominee for the Common Safekeeper will be considered the registered holder of the Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal holder of the Global Notes under the Trust Deed while the Notes are represented by the Global Notes. 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 paragraph, payments of principal and interest on, and other amounts due in respect of, the Global Notes will be made by the Principal Paying Agent to a nominee of the Common Safekeeper. Upon receipt of any payment from the relevant Paying Agent, Euroclear and Clearstream, Luxembourg, as applicable, will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect payments to owners of Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike Noteholders, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by or on behalf of the Issuer for consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg (as

the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the relevant provisions described herein under "*Terms and Conditions of the Notes*". 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 participants of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Registrar or the Trustee or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

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

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

## **RIGHTS OF NOTEHOLDERS AND CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS**

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

### **Prior to an Event of Default**

The Issuer, the Trustee or the Cash/Bond Administrator may also convene Noteholder meetings (at the cost of the Issuer) for any purpose, including consideration of Extraordinary Resolutions and Ordinary Resolutions and the Trustee shall be obliged to do so, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, upon the request in writing of a Class or Classes of Noteholders holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding of the relevant Class or Classes.

However, the Noteholders are not entitled to instruct or direct the Issuer to take any action, either directly or through the Trustee, without the consent of the Issuer and, if applicable, certain other Transaction Parties, unless the Issuer has an obligation to take such action under the relevant Transaction Documents.

### **Following an Event of Default**

If an Event of Default occurs and is continuing, the holders of the Most Senior Class may, if they hold at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class or if they pass an Extraordinary Resolution, direct the Trustee to give an Enforcement Notice to the Issuer pursuant to which each Class of the Notes shall become immediately due and repayable at their respective Principal Amount Outstanding together with any accrued interest and the Trustee shall give such Enforcement Notice to the Issuer subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction.

### **Noteholders Meeting Provisions**

	<b>Initial Meeting</b>	<b>Adjourned Meeting</b>
Notice period:	21 clear days for the initial meeting.	10 days for meeting adjourned through want of quorum.  Adjourned meeting must be convened not less than 14 nor more than 42 clear days later than the initial meeting.
Quorum for Ordinary Resolution:	Two or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount	Two or more persons holding or representing not less than 10 per cent. of the aggregate Principal Amount

	Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting.	Outstanding of the relevant Class or Classes of Notes outstanding for the adjourned meeting.
Quorum for Certificates Ordinary Resolution:	Two or more persons holding or representing not less than 25 per cent. of the outstanding Certificates for the initial meeting.	Two or more persons holding or representing any proportion of the Certificates which the person constituting the quorum is holding or representing for the adjourned meeting.
Quorum for Extraordinary Resolution (other than to approve a Notes Basic Terms Modification):	Two or more persons holding or representing more than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting.	Two or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the adjourned meeting.
Quorum for Certificates Extraordinary Resolution (other than to approve a Certificates Basic Terms Modification):	Two or more persons holding or representing more than 50 per cent. of the outstanding Certificates for the initial meeting.	Two or more persons holding or representing any proportion of the Certificates which the person constituting the quorum is holding or representing for the adjourned meeting.
Quorum for Extraordinary Resolution to approve a Notes Basic Terms Modification or a Certificates Basic Terms Modification:	Two or more persons holding or representing not less than 75 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting.	Two or more persons holding or representing more than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the adjourned meeting.

Quorum for Extraordinary Resolution to approve a Certificates Basic Terms Modification:	Two or more persons holding or representing not less than 75 per cent. of the outstanding Certificates for the initial meeting.	Two or more persons holding or representing not less than 25 per cent. of the outstanding Certificates for the adjourned meeting.
Required majority for Ordinary Resolution:	Not less than 50.1 per cent. of the persons voting at the meeting upon a show of hands or, if a poll is demanded, not less than 50.1 per cent. of the votes cast on such poll.	
Required majority for Extraordinary Resolution:	Not less than 75 per cent. of the persons voting at the meeting upon a show of hands or, if a poll is demanded, not less than 75 per cent. of the votes cast on such poll.	
Written Resolution:	In the case of an Extraordinary Resolution, not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes. In the case of an Ordinary Resolution, not less than 50.1 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes. A written resolution has the same effect as an Ordinary Resolution or an Extraordinary Resolution (as applicable). There is no requirement as to the minimum number of Noteholders of any Class who must vote in favour of a written resolution.	

**Notes Basic Terms Modification**

Any amendment to the following matters would be a Notes Basic Terms Modification which requires a Note Extraordinary Resolution of each Class of Notes and a Certificates Extraordinary Resolution of the Certificateholders:

- (a) the maturity of the Notes or the dates on which interest is payable in respect of the Notes;
- (b) a reduction of the amount due in respect of, or cancellation of the principal amount of, or interest on the Notes or variation of the method of calculating the Floating Rate of Interest on the Floating Rate Notes;
- (c) the priority of payment of interest or principal on the Notes;
- (d) the currency of payment of the Notes;
- (e) the definition of Notes Basic Terms Modification; or
- (f) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Notes Basic Terms Modification or to pass an Extraordinary Resolution.

**Certificates Basic Terms Modification**

Any amendment to the following matters would be a

Certificates Basic Terms Modification which requires an Extraordinary Resolution of the Certificateholders:

- (a) the priority of residual payments payable on the Certificates;
- (b) the currency of payment of the Certificates;
- (c) the definition of Certificates Basic Terms Modification;
- (d) the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to effect a Certificates Basic Terms Modification or to pass an Extraordinary Resolution; or
- (e) the definition of Notes Basic Terms Modification.

### **Negative Consent**

An Extraordinary Resolution or Ordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) will be passed by a Class or Classes of Notes if, within 40 days of a notice to such Class or Classes of Noteholders which:

- (a) contains the text of such Extraordinary Resolution or Ordinary Resolution;
- (b) invites such Noteholders to object to such Extraordinary Resolution or Ordinary Resolution;
- (c) details the manner in which objections to such Extraordinary Resolution or Ordinary Resolution should be made; and
- (d) is given to such Class or Classes of Noteholders in accordance with the provisions of Condition 14 (*Notice to Noteholders*) by the Issuer, the Trustee or the Cash/Bond Administrator (as set out in the Cash/Bond Administration Agreement),

10 per cent. or more (in the case of an Extraordinary Resolution) or 15 per cent. or more (in the case of an Ordinary Resolution) in aggregate of the Principal Amount Outstanding of the Notes of such Class or Classes have not informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution or Ordinary Resolution.

Upon the Trustee receiving objections from Noteholders of 10 per cent. or more (in the case of an Extraordinary Resolution) or 15 per cent. or more (in the case of an Ordinary Resolution) in aggregate of the Principal Amount Outstanding of the Notes of the relevant Class or Classes, the Trustee shall give notice to the relevant Class or Classes of Noteholders in accordance with the provisions of Condition 14 (*Notice to Noteholders*) that the relevant Extraordinary Resolution or the Ordinary Resolution (as the case may be) has not passed. In such circumstance, a meeting of Noteholders may be called in accordance with the provisions of Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) in order to pass the relevant Extraordinary Resolution or Ordinary Resolution in accordance



with the provisions of Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*).

**Matters Requiring Extraordinary Resolution**

The following matters require an Extraordinary Resolution unless otherwise specified in the Transaction Documents:

- (a) a Notes Basic Terms Modification or a Certificates Basic Terms Modification;
- (b) a modification of the Transaction Documents; and
- (c) a modification of the Conditions.

**Convening Noteholder Meetings**

The Issuer, the Trustee or the Cash/Bond Administrator may at any time convene a meeting of the Noteholders. If the Trustee receives a written request by Noteholders holding or representing at least 10 per cent. in Principal Amount Outstanding of the Notes of a particular Class and is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses, the Trustee shall convene a meeting of the Noteholders of such Class. Every meeting shall be held at a time and place approved by the Trustee.

In certain circumstances, the Trustee may also convene meetings of Noteholders at its discretion.

**Relationship between Classes of Noteholders and Certificateholders**

Subject to the provisions in respect of a Notes Basic Terms Modification, a resolution of Noteholders of the Most Senior Class shall be binding on all other Classes and would override any resolutions to the contrary of the Classes ranking behind such Most Senior Class.

A Notes Basic Terms Modification requires an Extraordinary Resolution of each Class of Notes then outstanding.

**Sellers as Noteholder or Certificateholder**

Each Seller will have a right to vote in respect of any Notes or Certificates it holds.

**Relationship between Noteholders, Certificateholders and other Secured Creditors**

So long as any Notes are outstanding and there is a conflict between the interests of the Noteholders, the Certificateholders and the other Secured Creditors, the Trustee will take into account the interests of the Noteholders. After the Notes have been redeemed in full and so long as there are any Certificates outstanding and there is a conflict between the interest of the Certificateholders and the other Secured Creditors, the Trustee will have regard solely to the interests of the Certificateholders and shall have regard to the interests of the other Secured Creditors only to pay such parties any monies received and payable to it and to act in accordance with the applicable Priority of Payments and the Secured Creditors shall have no claim against the Trustee for doing so.

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

The Cash/Bond Administrator will further provide an investor report on a quarterly basis containing information in relation to the Notes and Certificates including, but not limited to, ratings of the Rated Notes, amounts paid by the Issuer pursuant to the relevant Priority of Payments in respect of the relevant period and required counterparty information (as set out in the

Cash/Bond Administration Agreement).

## Modification

The Trustee may, without the consent or sanction of any of, or any liability to, the Noteholders or Certificateholders:

- (a) concur with the Issuer and any other relevant parties in making or sanctioning:
  - (i) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation; or
  - (ii) any other modification (excluding a Notes Basic Terms Modification or a Certificates Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Notes of such Class, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class (other than any Noteholders of the Most Senior Class who have confirmed their consent in writing to the relevant modification, waiver or authorisation);
- (b) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class (other than any Noteholders of the Most Senior Class who have confirmed their consent in writing to the relevant waiver, authorisation or determination),

**provided that** the Trustee will not do so in contravention of an express direction given by holders of the Most Senior Class or a request made pursuant to Note Condition 9 (*Events of Default*) and Certificates Condition 6 (*Events of Default*).

The prior written consent of the Swap Counterparty is required to modify or supplement any provision of the Transaction Documents, the Notes Conditions or the Certificates Conditions if the Swap Counterparty determines, acting in a commercially reasonable manner, that such modification affects or would affect any of the following:

- (i) the Swap Counterparty's rights in relation to any security (howsoever described, and including as a result of changing the nature or the scope of, or releasing such security) granted by the Issuer in favour of the Trustee on behalf of the Secured Creditors;
- (ii) the definitions of Final Maturity Date, Available

Revenue Funds, Swap Collateral Account, Swap Cash Collateral Account, the Swap Cash-Linked Collateral Account, Swap Securities Collateral Account, Swap Excluded Payable Amounts or Swap Excluded Receivable Amounts;

- (iii) the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;
- (iv) the provisions in the Transaction Documents or the Note Conditions setting out the method of calculation of amounts payable under the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;
- (v) any amendment to Condition 5 (*Redemption*) of the Note Conditions or any additional redemption rights in respect of the Notes; or
- (vi) Clause 20.1.2 (*Modification*) of the Trust Deed.

The Issuer shall notify in writing the Swap Counterparty and the Trustee of any proposed modification or supplement to any provisions of the Transaction Documents, the Notes Conditions or the Certificate Conditions that may affect any of the items listed in the previous paragraph at least 21 days (exclusive of the day on which the notice is given and of the day that the modification or supplement is intended to be effected) prior to such modification or supplement being effected, notwithstanding any other provision of the Transaction Documents, the Notes Conditions or the Certificate Conditions. The Swap Counterparty may notify the Trustee and the Issuer in writing if it determines (acting in a commercially reasonable manner) that such modifications or supplement would affect any of the items listed in the previous paragraph. If the Issuer and the Trustee receive notification (the “**Notification**”) from the Swap Counterparty that the Swap Counterparty has determined that the modification and/or supplement would not affect any of the items listed in the previous paragraph or that the Swap Counterparty otherwise consents to such modification and/or supplement, such modification and/or supplement may take effect at any time from and including the date of receipt of the Notification. If the Issuer and the Trustee do not receive any such determination or a Notification by the expiry of such notice period, the Swap Counterparty shall be deemed to have consented to such modification or supplement. If the Swap Counterparty has not received notice in accordance with this paragraph, the proposed modification or supplement shall not be effective.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or, subject to the receipt of consent from any of the Secured Creditors party to a

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 Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Note Conditions, the Certificates 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 considers necessary in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Cash/Bond Administrator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Note Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administration Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification or a Certificates Basic Terms Modification) to the Note Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Legal Title-Holder Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely

for the purpose of facilitating the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

In respect of the amendments effected pursuant to Note Condition 11(e) (*Modification and Waiver*) and Certificates Condition 8(d) (*Modification and Waiver*), the Trustee shall, in relation only to its obligation to make an amendment related to EMIR or a replacement Mortgage Administrator or a replacement Legal Title-Holder, not consider the impact of such modifications on the interests of any Noteholders or Certificateholders, Secured Creditor or any other person and shall act and rely solely and without further investigation or enquiry on any certificate or evidence provided to it by the Issuer or relevant Transaction Party, as the case may be and shall not be liable to the Noteholders, the Certificateholders, any other Secured Creditors or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interest of such person.

Any such modifications permitted above shall be binding on the Noteholders, Certificateholders or other Secured Creditors and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders and Certificateholders as soon as practicable thereafter in accordance with Note Condition 13 (*Notice to Noteholders*) and Certificates Condition 11 (*Notice to Certificateholders*). So long as the Rated Notes, or any of them, are rated by the Rating Agencies the Issuer shall notify each of the Rating Agencies of any modification made by it in accordance with the above as soon as reasonably practicable thereafter.

The Trustee shall not be obliged to agree to any modification pursuant to the Trust Deed, the Deed of Charge or any other Transaction Document which (in the sole opinion of the Trustee) would have the effect of: (x) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (y) increasing the obligations or duties, or decreasing the protections of the Trustee in the Transaction Documents, the Trust Deed and/or the Conditions.

#### **Communication with Noteholders**

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

- (a) for so long as the Notes are in global form:
  - (i) through the regulated information service maintained or recognised by the Irish Stock Exchange (and any notice containing material, non-public information will be given in this manner); and
  - (ii) by delivery to Euroclear and/or Clearstream, Luxembourg for communication by them to their

- participants and for communication by such participants to entitled account holders; and
- (iii) by delivery to the electronic communications systems maintained by Bloomberg L.P. for publication on the relevant page for the Notes (or such other medium for electronic display of data as may be approved in writing by the Trustee); or
- (b) if the Notes are in definitive form, if published in a leading daily newspaper printed in the English language and with general circulation in Ireland (which is expected to be *The Irish Times*).

A copy of each notice given in accordance with Note Condition 14 (*Notice to Noteholders*) will be provided to (for so long as any Rated Note is outstanding) the Rating Agencies.

The Issuer will give notice to the Noteholders in accordance with Note Condition 14 (*Notice to Noteholders*) of any additions to, deletions from or alterations to such methods from time to time.

**Provision of Information to the Noteholders**

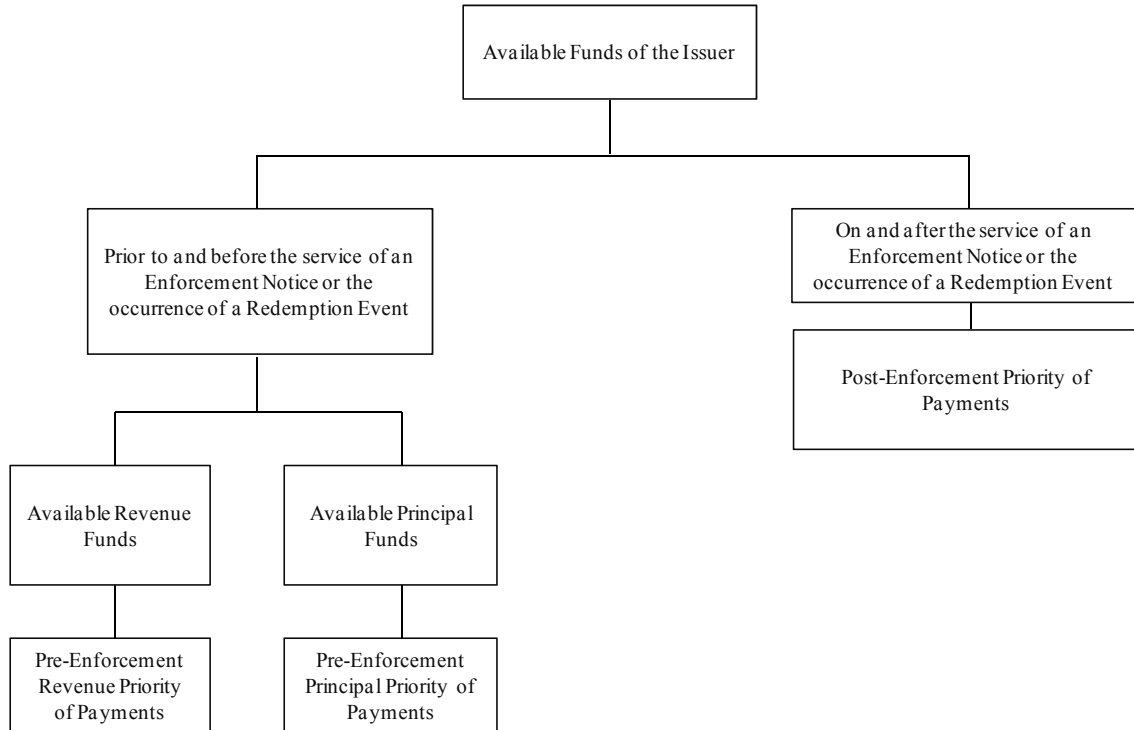
Information in respect of the underlying Mortgage Pool will be provided to the investors on an ongoing basis. See the section entitled “*General Information*” for further information.

**Rating Agency Confirmation**

The implementation of certain matters will, pursuant to the Transaction Documents, be subject to the receipt of written confirmation from each Rating Agency (or certification from the Issuer to the Trustee that the Issuer has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in the then current ratings of each Class of Notes rated thereby being qualified, downgraded or withdrawn and, if relevant, the Issuer delivers a copy of each such confirmation to the Trustee, or the Issuer certifies in writing that the Rating Agencies then rating the Notes have been informed of the proposed modification and none of such Rating Agencies have indicated that such modification would result in a qualification, downgrade or withdrawal of the then current ratings of each Class of Rated Notes.

## Overview of Credit Structure and Cash Flow

Please refer to sections entitled “*Credit Structure*” and “*Administration, Servicing and Cash Management of the Mortgage Pool*” for further detail in respect of the credit structure and cash flows of the transaction.



## Available Funds of the Issuer

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

“**Available Revenue Funds**” will include the following amounts:

- (a) interest earned pursuant to the Bank Agreement for the Determination Period immediately preceding the Determination Date and interest received on the GIC Account for the Determination Period immediately preceding the relevant Determination Date;
- (b) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;
- (c) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;
- (d) any amounts received by the Issuer under the Swap Agreement or any replacement Swap Agreement on the relevant Interest Payment Date (excluding Swap Excluded Receivable Amounts and amounts standing to the credit of the Issuer Profit Ledger, any amounts credited to the Swap Collateral Accounts and any Swap Collateral Accounts surplus);
- (e) any General Reserve Fund Excess Amount;
- (f) any amount standing to the credit of the General Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (g) and (h) below) in respect thereof;
- (g) for so long as there are any A Notes or subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes, B Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (f) above but excluding paragraph (h) below);
- (h) such amounts of Available Principal Funds on the relevant Determination Date if and to the extent required to make payment of certain amounts in the Pre-Enforcement



Revenue Priority of Payments to the extent there will be (i) a Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) and/or (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the C Notes and the D Notes, in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (f) and (g) above). Any such amount may only be used for payment of Senior Fees and interest on the A Notes, the B Notes, the C Notes and the D Notes and not any other amounts in the Pre-Enforcement Revenue Priority of Payments; and

- (i) on the second Interest Payment Date, the balance, if any, standing to the credit of the Start-Up Costs Ledger, but excluding any Swap Excluded Receivable Amounts.

“**Available Principal Funds**” will include the following amounts:

- (a) the Principal Collections received for the preceding Determination Period;
- (b) the proceeds of any Authorised Investments attributable to Principal Collections for the Determination Period immediately preceding the relevant Determination Date; and
- (c) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Interest Payment Date; and
- (d) any Liquidity Reserve Fund Excess Amount,

less any amounts of Available Principal Funds which are to constitute item (h) of Available Revenue Funds.

The amount of £335,185.93, which is the amount by which the total issuance of the A Notes, the B Notes, the C Notes, the D Notes, and the E Notes exceeds the consideration payable by the Issuer in respect of the sale of the Loans and Collateral Security, will be made part of the Available Principal Funds on the first Interest Payment Date.

### **Summary of Priority of Payments**

Below is a summary of the Priority of Payments prior to the service of an Enforcement Notice or on the occurrence of a Redemption Event. Full details of the Pre-Enforcement Revenue Priority of Payments are set out in Note Condition 2(c) (*Pre-Enforcement Revenue Priority of Payments*). Full details of the Pre-Enforcement Principal Priority of Payments are set out in Note Condition 5(b) (*Mandatory Redemption of the Notes*). Full details of the Post-Enforcement Priority of Payments are set out in Note Condition 2(d) (*Post-Enforcement Priority of Payments*).

AVAILABLE REVENUE FUNDS	AVAILABLE PRINCIPAL FUNDS	ALL FUNDS (including on Final Maturity Date and early redemption)
<b>Pre-Enforcement Revenue Priority of Payments</b>	<b>Pre-Enforcement Principal Priority of Payments</b>	<b>Post- Enforcement Priority of Payments</b>
Trustee fees and expenses	After the Liquidity Reserve Fund Trigger Event, the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount	Trustee and receiver fees and expenses
Other senior expenses incurred by the Issuer	Senior Fees and interest on A, B, C and D Notes if not paid from Available Revenue Funds	Other senior expenses incurred by the Issuer
Issuer Profit	A Notes Principal Amount	Issuer Profit
Amounts due to Interest Rate Swap Counterparts (other than Swap Subordinated Amounts and Swap Excluded Amounts)	B Notes Principal Amount	Amounts due to Interest Rate Swap Counterparty (other than Swap Subordinated Amounts and Swap Excluded Amounts)
Interest on A Notes	C Notes Principal Amount	<i>Pro rata and pari passu</i> A Notes interest and principal
A Principal Deficiency Ledger	D Notes Principal Amount	<i>Pro rata and pari passu</i> B Notes interest and principal
Interest on B Notes	E Notes Principal Amount	<i>Pro rata and pari passu</i> C Notes interest and principal
B Principal Deficiency Ledger	Surplus to Certificateholders	<i>Pro rata and pari passu</i> D Notes interest and principal
Interest on C Notes		<i>Pro rata and pari passu</i> E Notes interest and principal
C Principal Deficiency Ledger		Swap Subordinated Amounts
Interest on D Notes		Amounts owing to third parties
D Principal Deficiency Ledger		<i>Pro rata and pari passu</i> X Notes interest and principal
General Reserved Fund Ledger up to General Reserve Fund Required Amount		<i>Pro rata and pari passu</i> Z Notes interest and principal
E Principal Deficiency Ledger		Surplus to Certificateholders
Interest on E Notes		
Interest on X Notes		
Principal on X Notes		
Interest on Z Notes		
Principal on Z Notes		
Swap Subordinated Amounts		
Surplus to Certificateholders		

## General Credit Structure

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

- (a) availability of the General Reserve Fund in the event there is a Shortfall. The General Reserve Fund will be initially funded by the proceeds from the Z Notes in an amount equal to the General Reserve Fund Required Amount. See the section entitled “*Credit Structure – Application of the General Reserve Fund and the Liquidity Reserve Fund – Shortfall and Revenue Shortfall*” below for limitations on availability of the use of the General Reserve Fund;
- (b) availability of the Liquidity Reserve Fund in the event there is a Revenue Shortfall following the Liquidity Reserve Fund Trigger Event. See the section entitled “*Credit Structure – Application of the General Reserve Fund and the Liquidity Reserve Fund – Shortfall and Revenue Shortfall*” below for limitations on availability of the use of the Liquidity Reserve Fund;
- (c) availability of Available Principal Funds in the event there is a Revenue Shortfall (other than in relation to the B Notes) and thereafter, subject to satisfaction of the relevant PDL Condition, in the event there is a shortfall in respect of interest on the B Notes, the C Notes and the D Notes. See the section entitled “*Credit Structure – Application of the General Reserve Fund and the Liquidity Reserve Fund – Shortfall and Revenue Shortfall*” below for limitations on availability of the use of Available Principal Funds.

## General Reserve Fund and Liquidity Reserve Fund

The “**General Reserve Fund**” will, on the Issue Date, be funded by the proceeds from the Z Notes in an amount equal to 2.0 per cent. of the Principal Amount Outstanding of the aggregate of the A Notes, the B Notes, the C Notes, D Notes and the E Notes, being £7,040,000, as at the Issue Date.

The Issuer is required to maintain at all times a minimum balance standing to the credit of the General Reserve Fund. The “**General Reserve Fund Required Amount**” is:

- (a) on the Issue Date and on any Interest Payment Date, 2.0 per cent. of the Principal Amount Outstanding of the aggregate of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes as at the Issue Date, being £7,040,000; and
- (b) following redemption in full of the A Notes to D Notes (inclusive), zero.

The General Reserve Fund Ledger will, from time to time, be credited in accordance with the Pre-Enforcement Revenue Priority of Payments.

The General Reserve Fund shall be maintained until such time as the D Notes are redeemed in full. Following redemption in full of the D Notes, any remaining balance in the General Reserve Fund shall be paid out in accordance with the relevant Priority of

Payments.

The Issuer will establish on the Issue Date the “**Liquidity Reserve Fund**” and is required to maintain an amount equal to Liquidity Reserve Fund Required Amount.

“**Liquidity Reserve Fund Required Amount**” shall be calculated as follows:

- (a) on the Issue Date, the Liquidity Reserve Fund Required Amount will be zero; and
- (b) on any Interest Payment Date, on which the amount standing to the credit of the General Reserve Fund as at such Interest Payment Date (after application of the Available Revenue Funds) is less than 1.5 per cent. of the aggregate Principal Amount Outstanding of the A Notes to E Notes (inclusive) on such Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments (the “**Liquidity Reserve Fund Trigger Event**”), the Liquidity Reserve Fund Required Amount will be 2.0 per cent. of the aggregate Principal Amount Outstanding of the A Notes and B Notes on that Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments; and
- (c) after the occurrence of the Liquidity Reserve Fund Trigger Event, on any subsequent Interest Payment Date, the Liquidity Reserve Fund Required Amount will be 2.0 per cent. of the aggregate Principal Amount Outstanding of the A Notes and B Notes on that Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments.

The Liquidity Reserve Fund will be funded from Available Principal Funds applied in accordance with the Pre-Enforcement Principal Priority of Payments on the Interest Payment Date on which the Liquidity Reserve Fund Trigger Event occurs.

**Application of the General Reserve Fund and the Liquidity Reserve Fund – Shortfall and Revenue Shortfall**

Where there are insufficient funds available to provide for payment of items (i) to (xiii) of the Pre-Enforcement Revenue Priority of Payments (a “**Shortfall**”), the Issuer shall first pay or provide for that Shortfall by the application of the General Reserve Fund.

Thereafter if there remains a shortfall in amounts available to pay Senior Fees, the interest on the A Notes and/or the interest on the B Notes (such shortfall a “**Revenue Shortfall**”), the Issuer shall pay or provide for that Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) by the application of the Liquidity Reserve Fund.

On each Determination Date, if following application of items (a), (b), (c), (d), (e), (f) and (g) of the Available Revenue Funds, there remains a shortfall in any of items (i), (ii), (iii), (iv), (v), (vi), (viii), (x) and (xii) of the Pre-Enforcement Revenue Priority of Payments, the Cash/Bond Administrator shall apply

item (h) of the Available Revenue Funds as follows:

- (a) for any such shortfall in any of items (i), (ii), (iii), (iv), (v) and (vi) of the Pre-Enforcement Revenue Priority of Payments, the Cash/Bond Administrator shall make up such shortfall by way of booking a Principal Deficiency. See the section of this Prospectus entitled "*Credit Structure – Principal Deficiency Ledger*";
- (b) for any such shortfall in any of items (viii), (x) and (xii) of the Pre-Enforcement Revenue Priority of Payments, subject to the relevant PDL Condition, the Cash/Bond Administrator shall make up such shortfall by way of booking a Principal Deficiency. See the section of this Prospectus entitled "*Credit Structure – Principal Deficiency Ledger*";
- (c) where “**PDL Condition**” means for each Interest Payment Date (i) unless the B Notes are the Most Senior Class, in respect of interest on the B Notes, the debit balance of the B Principal Deficiency Ledger not exceeding 10 per cent. of the Principal Amount Outstanding of the B Notes; (ii) unless the C Notes are the Most Senior Class, in respect of interest on the C Notes, the debit balance of the C Principal Deficiency Ledger not exceeding 10 per cent. of the Principal Amount Outstanding of the C Notes; (iii) unless the D Notes are the Most Senior Class, in respect of interest on the D Notes, the debit balance of the D Principal Deficiency Ledger not exceeding 10 per cent. of the Principal Amount Outstanding of the D Notes; and

for the avoidance of doubt, item (h) of the Available Revenue Funds may be available only upon application of the Pre-Enforcement Principal Priority of Payments.

### **Principal Deficiency Ledger**

The Principal Deficiency Ledger comprises 5 sub-ledgers, known as the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger and the E Principal Deficiency Ledger which will be established to record as a debit any Losses on the Mortgage Pool and/or the use of any Available Principal Funds as Available Revenue Funds and/or any drawing under the Liquidity Reserve Fund to fund a Revenue Shortfall.

Available Revenue Funds will be credited to the sub-ledgers of the Principal Deficiency Ledger on each Interest Payment Date to reduce the debit balance of the Principal Deficiency Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments.

Any losses on the Mortgage Pool, the amount of any Available Principal Funds used to fund a Revenue Shortfall (in respect of the B Notes, subject to the relevant PDL Condition) or, subject to the relevant PDL Condition, a shortfall in respect of interest on the C Notes and the D Notes or any drawing under the Liquidity Reserve Fund to fund a Revenue Shortfall (subject to

the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) will be calculated and allocated to the Notes and recorded as a debit to the Principal Deficiency Ledger on each Determination Date as follows:

- (a) *firstly*, to the E Principal Deficiency Ledger (up to an amount (including all other debits to the E Principal Deficiency Ledger) equal to the aggregate Principal Amount Outstanding of the E Notes) (as calculated on the immediately preceding Determination Date);
- (b) *secondly*, to the D Principal Deficiency Ledger (up to an amount (including all other debits to the D Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the D Notes) (as calculated on the immediately preceding Determination Date);
- (c) *thirdly*, to the C Principal Deficiency Ledger (up to an amount (including all other debits to the C Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the C Notes) (as calculated on the immediately preceding Determination Date);
- (d) *fourthly*, to the B Principal Deficiency Ledger (up to an amount (including all other debits to the B Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the B Notes) (as calculated on the immediately preceding Determination Date);
- (e) *fifthly*, to the A Principal Deficiency Ledger (up to an amount (including all other debits to the A Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the A Notes) (as calculated on the immediately preceding Determination Date).

#### **Transaction Account and Cash/Bond Administration**

Prior to the Delegate Mortgage Administrator Migration Date, all Revenue Collections and Principal Collections in respect of the Loans are received by the Legal Title-Holder in the Collection Account (Initial).

On or about the Issue Date the Legal Title-Holder will declare the Collection Account (Initial) Declaration of Trust in favour of the Issuer over amounts credited to the Collection Account (Initial) to the extent that such amounts relate to the Loans in the Mortgage Pool.

Following the Delegate Mortgage Administrator Migration Date, all Revenue Collections and Principal Collections in respect of the Loans are received by the Legal Title-Holder in the Main Collection Account, the F Collection Account or, as the case may be, the R Collection Account.

On or about the Issue Date the Legal Title-Holder will declare the Main Collection Account Declaration of Trust in favour of the Issuer over amounts credited to the Main Collection Account to the extent that such amounts relates to the Loans in the Mortgage Pool.

On 17 December 2015 the Legal Title-Holder declared the F Collection Account Declaration of Trust over amounts credited to the F Collection Account and on or about the Issue Date the Issuer will become a Beneficiary of the F Collection Account Declaration of Trust to the extent that such amounts relate to the Loans in the Mortgage Pool by way of the F Collection Account Supplemental Deed of Declaration of Trust.

On 17 December 2015 the Legal Title-Holder declared the R Collection Account Declaration of Trust over amounts credited to the R Collection Account and on or about the Issue Date the Issuer will become a Beneficiary of the R Collection Account Declaration of Trust to the extent that such amounts relate to the Loans in the Mortgage Pool by way of the R Collection Account Supplemental Deed of Declaration of Trust.

Prior to the Delegate Mortgage Administrator Migration Date, there will be no funds held in the Main Collection Account, the F Collection Account or the R Collection Account which relate to the Loans in the Mortgage Pool and therefore the Issuer's trust interest in monies held in these accounts will be zero and the Issuer's recourse will be to the relevant funds in the Collection Account (Initial). Following the Delegate Mortgage Administrator Migration Date, Acenden, as the Delegate Mortgage Administrator, will operate the Main Collection Account, the F Collection Account and the R Collection Account and there will be funds attributable to the Loans in the Mortgage Pool held in these accounts on trust for the Issuer.

Prior to the Delegate Mortgage Administrator Migration Date, the Cash/Bond Administrator (and, where relevant, the Mortgage Administrator) is obliged to transfer collections in respect of the Loans standing to the credit of the Collection Account (Initial) to the Transaction Account and then to the GIC Account daily on each Business Day (as set out in the Cash/Bond Administration Agreement or Mortgage Administration Agreement, as applicable).

Following the Delegate Mortgage Administrator Migration Date, the Cash/Bond Administrator (and, where relevant, the Mortgage Administrator) is obliged to transfer collections in respect of the Loans standing to the credit of the Main Collection Account (which will include collections transferred to the Main Collection Account from the F Collection Account and the R Collection Account) to the Transaction Account and then to the GIC Account daily on each Business Day (as set out in the Cash/Bond Administration Agreement or Mortgage Administration Agreement, as applicable).

## **Bank Agreement**

On or prior to each Interest Payment Date, amounts will be transferred to the Transaction Account, as required, to be applied in accordance with the relevant Priority of Payments.

## Triggers Tables

### Rating Triggers Table

Transaction party	Required Ratings	Possible effects of Ratings Trigger being breached include the following:
Account Bank and GIC Provider	<ul style="list-style-type: none"> <li>(i) In the case of Moody's, a long-term unguaranteed unsecured and unsubordinated debt rating of at least A3 by Moody's;</li> <li>(ii) in the case of Fitch, a short-term senior unsecured debt rating of at least F1 and a long-term rating of at least A by Fitch; or</li> <li>(iii) alternatively to each of the above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Most Senior Class.</li> </ul>	The consequences for the Account Bank or the GIC Provider of a breach under the Bank Agreement include a requirement for the Issuer to use commercially reasonable endeavours to replace the Account Bank or the GIC Provider (as applicable) within 30 calendar days of the downgrade of the relevant entity.
Swap Collateral Account Bank	<ul style="list-style-type: none"> <li>(i) In the case of Moody's, a long-term</li> </ul>	The consequences for the Swap Collateral Account Bank of a breach under the Swap Collateral Account Bank Agreement



unguaranteed unsecured and unsubordinated debt rating of at least A3 by Moody's;

- (ii) in the case of Fitch, a short-term senior unsecured debt rating of at least F1 and a long-term rating of at least A by Fitch; or
- (iii) alternatively to each of the above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Most Senior Class.

Collection Accounts Provider

- (i) In the case of Moody's, a long-term unguaranteed unsecured and unsubordinated debt rating of at least Baa3 by Moody's;
- (ii) in the case of Fitch, a short-term senior

include a requirement for the Issuer to use commercially reasonable endeavours to replace the Swap Collateral Account Bank within 30 calendar days of the downgrade of the relevant entity.

If the Collection Accounts Provider fails to maintain the Required Ratings as set out in this section "*Triggers Tables*" (the "**Collection Accounts Rating Agency Required Ratings**") from at least one of the Rating Agencies (such failure a "**Collection Accounts Provider Downgrade Event**"), the Issuer will use its commercially reasonable endeavours to procure that the Collection Account (Initial) shall be transferred to another institution authorised under FSMA which has the Collection Accounts Rating Agency Required Ratings pursuant to an

unsecured debt rating of at least F2 and a long-term rating of at least BBB+ by Fitch; or

- (iii) alternatively to each of the above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Most Senior Class.

agreement with such institution in substantially the form of the Collection Account (Initial) Agreement (prior to the Delegate Mortgage Administrator Migration Date only), the Main Collection Account Agreement, the F Collection Account Agreement and the R Collection Account Agreement (to the extent applicable to the Collection Accounts) or to procure the opening of a replacement Collection Accounts with another institution authorised under FSMA which has the Collection Accounts Rating Agency Required Ratings within a period not exceeding 30 calendar days (or such longer period as the Trustee and the Rating Agencies may agree) from the date on which such downgrade occurs and the Collection Accounts Provider will, at the request and cost of the Issuer, use its commercially reasonable endeavours to assist with the same.

## Swap Counterparty

### Required Ratings

- (a) the:
- (i) long term, unsecured and unsubordinated debt or counterparty obligations of the Swap Counterparty must be rated at least A3 by Moody's; and
  - (ii) short-term issuer default rating of the Swap Counterparty and the long-term issuer default rating of the Swap Counterparty must be at least the rating shown in the below table by Fitch for so long as the relevant Notes are outstanding:

Category of highest rated notes	Unsupported Minimum Counterparty Ratings
AAA <sub>sf</sub>	A and F1
AA <sub>+</sub> <sub>sf</sub> , AA <sub>sf</sub> , AA <sub>-sf</sub>	A <sub>-</sub> and F2
A <sub>+</sub> <sub>sf</sub> , A <sub>sf</sub> , A <sub>-sf</sub>	BBB <sub>+</sub> and F2
BBB <sub>+</sub> <sub>sf</sub> , BBB <sub>sf</sub> , BBB <sub>-sf</sub>	BBB <sub>-</sub> and F3
BB <sub>+</sub> <sub>sf</sub> , BB <sub>sf</sub> , BB <sub>-sf</sub>	At least as high as the relevant highest rated Notes outstanding (the "Relevant Notes Fitch Rating" )
B <sub>+</sub> <sub>sf</sub> or below or relevant highest rated Notes outstanding are not rated by Fitch	At least as high as the Relevant Notes Fitch Rating

(together, the "Swap First Trigger Required Ratings"); and

- (b) if the Swap Counterparty breaches the Swap First Trigger Required Ratings, but complies with the relevant contractual requirements that apply on the occurrence

### Possible effects of Ratings Trigger being breached include the following:

- (a) The consequences of breach of the Swap First Trigger Required Ratings include the requirement to provide collateral (within 14 calendar days of breach if such breach is in respect of the rating by Fitch or within 30 Local Business Days (as defined in the Swap Agreement) of breach if such breach is in respect of the rating by Moody's), replace the Swap Counterparty (within 30 calendar days of breach), or procure a guarantee of such Swap Counterparty's obligations (within 30 calendar days of breach) or taking such other action (or inaction) that would result in the rating of the Rated Notes being maintained at, or restored to, the level it would have been at prior to such lower rating being assigned by the relevant Rating Agency.

- (b) The consequences of breach of the Swap Second Trigger Required Ratings include the requirements to (i) replace the Swap Counterparty or procure a guarantee of such

of such breach, then:

- (i) if such breach is in respect of the relevant Moody’s required ratings, then the long term, unsecured and unsubordinated debt or counterparty obligations of the Swap Counterparty must be rated at least Baa1 by Moody’s; and
- (ii) if such breach is in respect of the relevant Fitch required ratings, then the short-term issuer default rating of the Swap Counterparty and the long-term issuer default rating of the Swap Counterparty must be at least the rating shown in the below table by Fitch for so long as the relevant Notes are outstanding:

Category of highest rated notes	Supported Minimum Counterparty Ratings
AAAsf	BBB- and F3
AA+sf, AAAsf, AA-sf	BBB- and F3
A+sf, Asf, A-sf	BB+
BBB+sf, BBBsf, BBB-sf	BB-
BB+sf, BBsf, BB-sf	B
B+sf or below or relevant highest rated Notes outstanding are not rated by Fitch	At least as high as the Relevant Notes Fitch Rating

(together, the “**Swap Second Trigger Required Ratings**”).

Swap Counterparty’s obligations and (ii) pending such replacement or procurement of a guarantee, provide or continue providing collateral or taking such other action (or inaction) that would result in the rating of the Rated Notes being maintained at, or restored to, the level it would have been at prior to such lower rating being assigned by the relevant Rating Agency.

*See the section entitled “The Swap Agreement” for further information.*

### Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
Perfection Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> <li data-bbox="507 371 890 439">(a) the service of an Enforcement Notice;</li> <li data-bbox="507 465 890 752">(b) the Trustee determining that the Charged Property or any part thereof is in jeopardy (including due to the possible insolvency of one or more of the relevant Seller or the Legal Title-Holder);</li> <li data-bbox="507 779 890 887">(c) certain insolvency events of the relevant Seller or the Legal Title-Holder; or</li> <li data-bbox="507 913 890 1234">(d) the Issuer, the Trustee, the relevant Seller or the Legal Title-Holder becoming obliged to provide notice of assignment or (as applicable) assignation of the Loan by order of court, by law or any relevant regulatory authority.</li> </ul>	<p>Borrowers will be notified of the sale of the Loans to the Issuer and legal title to the Mortgage Pool will be transferred to the Issuer (other than in the case of perfection event (d) whereby only legal title to the affected Loan will be transferred to the Issuer).</p>
Cash/Bond Administrator Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> <li data-bbox="507 1346 890 1704">(a) default by the Cash/Bond Administrator in the performance of its covenants and obligations under the Cash/Bond Administration Agreement and the Trustee considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class;</li> <li data-bbox="507 1731 890 1823">(b) certain insolvency events of the Cash/Bond Administrator; or</li> </ul>	<p>Standby Cash/Bond Administrator to be appointed as cash/bond administrator, subject to approval by the Trustee.</p>

Mortgage Administrator Termination Events	<p>(c) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Cash/Bond Administrator is materially prejudicial to the interests of the holders of the Most Senior Class.</p> <p>The occurrence of any of the following:</p> <p>(a) default by the Mortgage Administrator in the performance of its covenants and obligations under the Mortgage Administration Agreement and the Trustee considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class;</p> <p>(b) certain insolvency events of the Mortgage Administrator; or</p> <p>(c) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Mortgage Administrator is materially prejudicial to the interests of the holders of the Most Senior Class.</p>	<p>If a Mortgage Administrator Termination Event occurs the Issuer (with the consent of the Trustee) or the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administration Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administration Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of the Proposed Replacement to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement, the Issuer shall appoint the Proposed Replacement as Mortgage Administrator on substantially the same terms as set out herein, <b>provided however that</b> any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is obtained.</p>
Legal Title-Holder Termination Events	<p>(a) default by the Legal Title Holder in the performance of its covenants and obligations under the Mortgage Administration Agreement and the Trustee considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class;</p> <p>(b) certain insolvency events of the Legal Title-Holder; or</p>	<p>If a Legal Title-Holder Termination Event occurs the Issuer (with the consent of the Trustee) or the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Legal Title-Holder Facilitator of such occurrence and request it to identify and select a replacement legal title-holder.</p> <p>Upon being so notified, the Legal Title-Holder Facilitator shall use reasonable endeavours to identify and select a</p>

replacement legal title-holder within 30 calendar days of the occurrence of the applicable Legal Title-Holder Termination Event and provide details of the Proposed Replacement Legal Title-Holder to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Legal Title-Holder, the Issuer shall appoint the Proposed Replacement Legal Title-Holder as Legal Title-Holder on substantially the same terms as set out herein, **provided however that** any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is obtained.

- (c) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Legal Title-Holder is materially prejudicial to the interests of the holders of the Most Senior Class.

## Fees

The following table sets out the ongoing fees to be paid by the Issuer to the Transaction Parties.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
<p>Servicing Fee payable under the Mortgage Administration Agreement and comprising:</p> <p>(a) the Monthly Servicing Fee in relation to the Services performed by the Mortgage Administrator and payable to the Mortgage Administrator; and</p>	<p>Monthly Servicing Fee: up to 0.25 per cent. per year (exclusive of VAT, if any) of the average aggregate Balance of each of the Loans in the Mortgage Pool on the first day of each calendar month in the Mortgage Pool and various costs, expenses and sundry fees. The Monthly Servicing Fee may increase to a maximum of 0.50 per cent. per year, (exclusive of VAT, if any) of the average aggregate Balance of each of the Loans in the Mortgage Pool as calculated on the first day of each calendar month, and various sundry fees as further described in the Mortgage Administration Agreement.</p>	<p>Ahead of all outstanding Notes.</p>	<p>Paid in advance on a monthly basis (and calculated for the Interest Period as a whole on each Determination Date).</p>
<p>(b) the Quarterly Servicing Fee in relation to the Legal Title-Holder Duties performed by the Legal Title-Holder payable to the Legal Title-Holder</p>	<p>Quarterly Servicing Fee: up to 0.05 per cent. per year (exclusive of VAT, if any) of the average aggregate Balance of each of the Loans in the Mortgage Pool as calculated on the first day of each calendar month in the Mortgage Pool and various costs and expenses.</p>	<p>Ahead of all outstanding Notes.</p>	<p>Quarterly in arrear on each Interest Payment Date.</p>
<p>Cash/Bond Administrator fees</p>	<p>up to 0.02 per cent. per year (exclusive of VAT, if any) on the Principal Amount Outstanding of the Notes.</p>	<p>Ahead of all outstanding Notes.</p>	<p>Quarterly in arrear on each Interest Payment Date.</p>
<p>Other fees and expenses of the Issuer including Trustee, Agents,</p>	<p>Estimated at £86,000 per year (exclusive of VAT).</p>	<p>Ahead of all outstanding Notes.</p>	<p>Generally semi-annually, paid in advance.</p>



Corporate  
Services Provider,  
Mortgage  
Administration  
Facilitator and  
Legal Title-Holder  
Facilitator fees

Expenses related  
to the admission  
to trading of the  
Notes

£7,500 (exclusive of any  
applicable VAT).

Not Available

On or about the Issue  
Date.

## CERTAIN REGULATORY DISCLOSURES

### **Retention Requirements and exposure to the Retained Interest**

Kayl Holdco will undertake in the Retention Letter that it will retain, on an ongoing basis as an originator within the meaning of the CRR, AIFMR and Solvency II Delegated Act, a material net economic interest of at least 5 per cent. of the securitised exposures, in accordance with Article 405(1)(d) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “CRR”), Article 51(1)(d) of the AIFMD Level 2 Regulation and Article 254(2)(d) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the “Solvency II Delegated Act”) (the “Retention Requirement”). In order to satisfy the Retention Requirement on the Issue Date, Kayl Holdco will hold exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool as at the Issue Date so as to hold exposure to the Retained Interest at not less than the Retention Requirement. On the Issue Date this will represent an economic outlay and downside exposure of Kayl Holdco. Any change to the manner in which such interest is held will be notified to investors.

Each prospective investor is required independently to assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with the Retention Requirement and none of the Issuer, the Arranger, the Joint Lead Managers or any Transaction Party makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of the Retention Requirement in their relevant jurisdiction. Investors, who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

In the Retention Letter, Kayl Holdco will undertake:

- (a) to hold, on an ongoing basis as an originator, a holding of exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool as at the Issue Date so as to hold exposure to the Retained Interest at not less than the Retention Requirement;
- (b) to provide notice to the Issuer, the Trustee (on behalf of the Noteholders) and the Cash/Bond Administrator on or prior to the end of a Determination Period that it continues to hold exposure to the Retained Interest (and the Cash/Bond Administrator shall reflect the same in the Performance Report that follows the date of such notice);
- (c) to provide notice to the Issuer and the Trustee (on behalf of the Noteholders) and the Cash/Bond Administrator as soon as practicable in the event it no longer holds exposure to the Retained Interest; and
- (d) not to reduce its credit exposure to the Retained Interest either through any form of credit risk mitigation or the sale of all or part of the Retained Interest, except as may be permitted by the Retention Requirements.

### **Information Regarding the Policies and Procedures of the Originator or other group entities as relevant**

The Originator and other group entities as relevant have internal policies and procedures in relation to the granting of mortgage loans, administration of credit-risk bearing portfolios and risk mitigation, which include:

- (a) criteria for the granting of mortgage loans and the process for approving, amending, renewing and re-financing mortgage loans (see “*Constitution of the Mortgage Pool*”);
- (b) systems in place to administer and monitor the mortgage loans and exposures (the Mortgages will be serviced in line with the usual servicing procedures of the Originator – see “*Administration, Servicing and Cash Management of the Mortgage Pool*”);
- (c) adequate diversification of the Originator’s mortgage loan books, given their target market and overall credit strategy (see “*Characteristics of the Provisional Completion Mortgage Pool*”); and
- (d) written policies and procedures in relation to risk mitigation techniques (see “*Administration, Servicing and Cash Management of the Mortgage Pool*”).

**Volcker Rule**

The Issuer is of the view that it is not now, and immediately following the issuance of the notes and the application of the proceeds thereof it will not be, a “covered fund” as defined in the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the “Volcker Rule”. Although other exclusions may be available to the Issuer, this conclusion is based on the exemption from the definition of “investment company” in the Investment Company Act provided by Section 3(c)(5)(C) thereunder.

## **USE OF PROCEEDS**

The gross proceeds of the issue of the Notes are expected to amount to approximately £363,409,200.00 and will be:

- (i) applied in the purchase by the Issuer from the Sellers of the Completion Mortgage Pool on the Issue Date;
- (ii) used to fund the General Reserve Fund up to its initial amount on the Issue Date (in respect of the proceeds of the issue of the Z Notes only); and
- (iii) used to fund Issuer Costs and Expenses and to pay underwriting fees and commissions (in respect of part of the proceeds of the issue of the X Notes only).

## THE ISSUER

### Introduction

The Issuer was incorporated and registered under the laws of England and Wales under the Companies Act 2006 with limited liability as a public limited company on 10 February 2016 with registered number 9998450. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1.00 each (one of which is fully paid and 49,999 of which are one quarter paid up) held by Finsbury Square 2016-1 Parent Limited (the “**Parent**”). The entire issued share capital of the Parent is held on trust by SFM Corporate Services Limited under the terms of a share trust deed. The Issuer has no subsidiaries.

### Directors

The directors of the Issuer and their respective business addresses and principal activities outside the Issuer are:

<b>Name</b>	<b>Address</b>	<b>Principal Activities/Position</b>
SFM Directors Limited	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	Corporate Director
SFM Directors (No.2) Limited	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	Corporate Director
Claudia Wallace	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	Director

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

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Sue Abrahams	35 Great St. Helen’s, London EC3A 6AP	Director
J-P Nowacki	35 Great St. Helen’s, London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen’s, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen’s, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen’s, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen’s, London EC3A 6AP	Director
Robert Berry	35 Great St. Helen’s, London EC3A 6AP	Director

The Company Secretary of the Issuer is SFM Corporate Services Limited (registered number 3920255).

The registered office of the Issuer is at 35 Great St. Helen’s, London EC3A 6AP, United Kingdom.

The telephone number of the Issuer is +44 (0) 207 398 6300.

### Activities

The Issuer has been established as a special purpose vehicle to acquire portfolios of residential mortgage loans and issue asset-backed securities. Its activities will be restricted by the terms and conditions of the Transaction Documents and will be limited to the issue of the Notes and the Certificates, the ownership of the Loans and their Collateral Security and other assets referred to herein, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto. These activities will include

(a) the collection of all payments of principal and interest due from Borrowers on Loans; (b) the operation of arrears procedures and (c) the enforcement of Loans and their Collateral Security against Borrowers in default. Substantially all of the above activities will be carried on by the Mortgage Administrator on an agency basis under the Mortgage Administration Agreement. In respect of certain specified items, such as the discretionary, as opposed to the procedural, aspects of the enforcement of Loans and their Collateral Security against Borrowers in default and other discretionary matters, the Issuer has delegated certain decision making powers to the Legal Title-Holder pursuant to the Mortgage Administration Agreement. Additionally, the Cash/Bond Administrator (as set out in the Cash/Bond Administration Agreement) or the Standby Cash/Bond Administrator, will provide cash management and bond reporting services to the Issuer pursuant to the Cash/Bond Administration Agreement or the Standby Cash/Bond Administration Agreement, as the case may be. The Issuer may terminate the agency (and, simultaneously, the rights) of the Mortgage Administrator, the Cash/Bond Administrator or, as the case may be, the Standby Cash/Bond Administrator upon the occurrence of certain events of default or insolvency or similar events in relation to the Mortgage Administrator, the Cash/Bond Administrator or, as the case may be, the Standby Cash/Bond Administrator or, in certain circumstances, following an Event of Default in relation to the Notes or Certificates. Following such an event as aforesaid, the Issuer (with the consent of the Trustee) or the Trustee may, subject to certain conditions, appoint substitute administrators. In relation to the appointment of a replacement mortgage administrator, the Mortgage Administration Facilitator will, pursuant to the terms of the Mortgage Administration Agreement, use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of the Proposed Replacement to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement, the Issuer shall appoint the Proposed Replacement as Mortgage Administrator on substantially the same terms as set out herein, **provided however that** any such appointment shall be subject to the prior written consent of the Trustee.

The principal objects of the Issuer are unrestricted in its Memorandum and Articles of Association.

Since its incorporation, the Issuer has not produced any accounts and has not engaged in any material activities other than those incidental to its registration as a public company, the authorisation of the issue of the Notes and Certificates, the matters contemplated in this Prospectus, the authorisation of the Transaction Documents referred to in this Prospectus in connection with the issue of the Notes, the Certificates and other matters which are incidental or ancillary to those activities. The Issuer has no employees.

### **Issuer profit**

Funds are to be applied on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and, after the service of an Enforcement Notice, the Post-Enforcement Priority of Payments in an amount of £1,500 for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year. Any such amount so applied shall be credited to the Issuer Profit Ledger and applied in satisfaction of the Issuer's obligations in respect of United Kingdom corporation tax and in payment of dividends.

### **Capitalisation loan and repayment thereof**

In order to enable the Parent to acquire the shares in the share capital of the Issuer, the Parent has received a limited recourse loan from the Share Trustee in an amount of £12,500.75. It is intended that such loan will be repaid with an amount received by the Parent by way of dividend on the shares it holds in the Issuer which the Issuer is expected to declare and pay with the Issuer Profit.

### **Auditors**

The independent auditor of the Issuer is Ernst & Young LLP whose office is located at 1, More London Place, London SE1 2AF, United Kingdom.

## CAPITALISATION STATEMENT

The following table shows the unaudited capitalisation of the Issuer as at 28 April 2016.

### Share Capital

	<b>£</b>
<i>Issued</i>	
50,000 Ordinary Shares of £1 each; comprising 1 fully paid up, 49,999 ¼ paid up .....	12,500.75
	<u>12,500.75</u>
<i>Borrowings</i>	
The Notes <sup>(1)(2)</sup> .....	363,409,200.00
<b>Total Capitalisation</b> .....	<u><u>363,421,700.75</u></u>

Note:

- (1) As at 28 April 2016, save as disclosed above, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.
- (2) Notes issued at a discount are included at the level of proceeds rather than at their original principal amount.

## PARENT

Finsbury Square 2016-1 Parent Limited (“**Parent**”) was incorporated in England and Wales on 20 January 2016 (registered number 9960659) as a private limited company under the Companies Act 2006 (as amended). The registered office of Parent is 35 Great St. Helen’s, London EC3A 6AP. The telephone number of Parent’s registered office is +44 (0) 207 398 6300.

The issued share capital of Parent comprises one ordinary share of £1.

The entire beneficial interest in the share of Parent is beneficially owned by SFM Corporate Services Limited (the “**Share Trustee**”) on a discretionary trust.

Parent holds the entire beneficial interest in the issued share capital of the Issuer.

The Sellers do not own directly or indirectly any of the share capital of Parent and neither the Sellers nor any company connected with the Sellers can direct the Share Trustee and none of such companies has any control, direct or indirect, over Parent or the Issuer or any other similar vehicle.

The principal objects of Parent are, among other things, to acquire and hold, by way of investments or otherwise, and deal in or exploit, in such manner as may from time to time be considered expedient, all or any part of any securities or other interests of or in the Issuer or any other similar vehicle.

Parent has not engaged in any other activities since its incorporation other than those incidental to the authorising of the Transaction Documents to which it is or will be a party and other matters which are incidental to those activities. Parent has no employees.

### Directors

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

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
SFM Directors Limited	35 Great St. Helen’s, London EC3A 6AP	Corporate Director
SFM Directors (No. 2) Limited	35 Great St. Helen’s, London EC3A 6AP	Corporate Director
Claudia Wallace	35 Great St. Helen’s, London EC3A 6AP	Director

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

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Sue Abrahams	35 Great St. Helen’s, London EC3A 6AP	Director
J-P Nowacki	35 Great St. Helen’s, London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen’s, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen’s, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen’s, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen’s, London EC3A 6AP	Director
Robert Berry	35 Great St. Helen’s, London EC3A 6AP	Director

The company secretary of Parent is SFM Corporate Services Limited whose registered office is at 35 Great St Helen’s, London EC3A 6AP.



The accounting reference date of Parent is 31 March.

## **THE MORTGAGE ADMINISTRATOR, THE CASH/BOND ADMINISTRATOR AND THE LEGAL TITLE-HOLDER**

### **Kensington Mortgage Company Limited**

KMC is a company incorporated under the laws of England and Wales (registration number 03049877) on 26 April 1995, having its registered office at Ascot House, Maidenhead Office Park, Maidenhead, SL6 3QQ, United Kingdom. It is a company whose purpose is advancing or acquiring residential Loans to borrowers in England and Wales, Northern Ireland and Scotland. KMC is a wholly owned subsidiary of The Northview Group Limited (formerly called Kensington Group Limited) (“NVG”). NVG is a wholly owned subsidiary of Kayl Holdco. NVG has the same ultimate shareholders as the Seller and Acenden.

KMC is currently the authorised mortgage lender of loans with the Kensington group, on the basis that it is an "authorised person" approved by the Financial Conduct Authority to carry out certain regulated activities.

KMC does not have any employees on the Issue Date; all personnel in the Kensington and Acenden businesses are employed by NVG.

On the Issue Date, KMC will delegate its responsibilities and obligations as Mortgage Administrator to HML pursuant to the HML Mortgage Administration Delegation Agreement. Amongst other provisions, the HML Mortgage Administration Delegation Agreement will provide that the Mortgage Administrator may transfer HML's appointment as delegate mortgage servicer to Acenden by providing written notice to HML provided that the Mortgage Administrator's delegation of its responsibilities and obligations as Mortgage Administrator to Acenden will be governed by the Acenden Mortgage Administration Delegation Agreement.

KMC holds the relevant authorisations under FSMA, the CCA and Data Protection Act 1998 and any other authorisation or approval necessary to act as lender in its capacity as lender/creditor/mortgage administrator under regulated mortgage contracts.

## THE SELLERS

Kayl is a *société à responsabilité limitée* (limited liability company) incorporated under the laws of Luxembourg on 18 August 2014, having a share capital of GBP 12,500, having its registered office at 6, rue Eugène Ruppert, L-2453 Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B 189.847. It is a company whose purpose is, amongst others, the acquisition, holding, management and disposal of participations and any interests, in any form whatsoever, in Luxembourg and foreign companies, or other business entities, enterprises or investments, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes, certificates of deposits and any other securities or financial instruments of any kind, and the ownership, administration, development and management of its portfolio. Kayl is a direct wholly owned subsidiary of Kayl Holdco S.à r.l. and an affiliate of Kensington Mortgage Company Limited, which is an indirect wholly owned subsidiary of Kayl Holdco S.à r.l. as at the Issue Date Kayl does not have any employees.

KWL is a company incorporated in England and Wales with limited liability on 19 August 2014. Its registered number is 09182194 and its registered office is at 11 Old Jewry, 7th Floor, London, England EC2R 8DU. It is a company whose purpose is, amongst others, the acquisition, holding, management and disposal of participations and any interests, in any form whatsoever, in England and Wales and foreign companies, or other business entities, enterprises or investments, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes, certificates of deposits and any other securities or financial instruments of any kind, and the ownership, administration, development and management of its portfolio. KWL is an indirect wholly owned subsidiary of Kayl Holdco S.à r.l. and an affiliate of Kensington Mortgage Company Limited, which is an indirect wholly owned subsidiary of Kayl Holdco S.à r.l. As at the Issue Date KWL does not have any employees.

## **THE STANDBY CASH/BOND ADMINISTRATOR**

Wells Fargo Bank International is an indirect wholly-owned subsidiary of Wells Fargo & Co. Based in the International Financial Services Centre in Dublin, Ireland, Wells Fargo Bank International is incorporated under Irish law and is authorised and regulated by the Central Bank of Ireland.

Wells Fargo & Co. is a diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance through more than 8,700 locations, 12,800 ATMs, online (wellsfargo.com), and mobile devices across North America and internationally. As of 30 June 2015, Wells Fargo & Co. had U.S.\$1.7 trillion in assets and more than 266,000 team members across more than 90 businesses. The headquarters of Wells Fargo & Co. are located at 420 Montgomery Street, San Francisco, California 94163, U.S.A.

As at the date of this Prospectus, Wells Fargo & Co. has a long-term issuer default rating of AA- by Fitch, a long-term debt rating of A2 by Moody's and a long-term debt rating of A+ by Standard & Poor's Ratings Services, a division of Standard & Poor's Credit Market Services Europe Limited ("S&P"). The short-term debt is rated P-1 by Moody's, A-1 by S&P and the short-term issuer default rating is F1+ by Fitch. At the end of second quarter 2015, Wells Fargo ranked fourth in assets among U.S. banks and was the world's second most valuable bank by market capitalisation.

## **THE TRUSTEE**

Wells Fargo Trust Corporation Limited (“**WFTCL**”) is a private limited company incorporated under English law with registration number 4409492 and with its registered office at One Plantation Place, 30 Fenchurch Street, London EC3M 3BD. WFTCL is an indirect wholly-owned subsidiary of Wells Fargo & Co. WFTCL falls within Wells Fargo’s Corporate Trust Services (“**CTS**”) business line, which provides fiduciary, agency and trustee services on structured and vanilla debt securities issued by public and private corporations, government entities, financial institutions and special purpose vehicles, as well as providing other corporate trust and agency services.

## THE SWAP COUNTERPARTY

BNP Paribas, one of Europe's leading providers of banking and financial services, has four domestic markets in retail banking in Europe: Belgium, France, Italy and Luxembourg.

It is present in 75 countries and has more than 189,000 employees, including close to 147,000 in Europe. BNP Paribas holds key positions in its two main businesses:

- (a) Retail Banking and Services, which includes:
  - (i) Domestic Markets comprising:
    - (A) French Retail Banking (FRB),
    - (B) BNL banca commerciale (BNL bc), Italian retail banking,
    - (C) Belgian Retail Banking (BRB),
    - (D) Other Domestic Markets activities, including Luxembourg Retail Banking (LRB);
  - (ii) International Financial Services, comprising:
    - (A) Europe-Mediterranean,
    - (B) BancWest,
    - (C) Personal Finance,
    - (D) Insurance,
    - (E) Wealth and Asset Management;
- (b) Corporate and Institutional Banking (CIB):
  - (i) Corporate Banking,
  - (ii) Global Markets,
  - (iii) Securities Services.

BNP Paribas SA is the parent company of the BNP Paribas Group.

At 31 December 2015, the Group had consolidated assets of €1,994.2 billion (compared to €2,077.8 billion\* at 31 December 2014), consolidated loans and receivables due from customers of €682.5 billion (compared to €657.4 billion\* at 31 December 2014), consolidated items due to customers of €700.3 billion (compared to €641.5 billion\* at 31 December 2014) and shareholders' equity (Group share) of €96.3 billion (compared to €89.5 billion\* at 31 December 2014).

Pre-tax income for the year ended 31 December 2015 was €10.4 billion (compared to €3.2 billion\* for the year ended 31 December 2014). Net income, attributable to equity holders, for the year ended 31 December 2015 was €6.7 billion (compared to €157 million\* for the year ended 31 December 2014).

The Group currently has long-term senior debt ratings of "A" with stable outlook from Standard & Poors, "A1" with stable outlook from Moody's, "A+" with stable outlook from Fitch and "AA (low)" with stable outlook from DBRS.

For up-to-date financial information, including quarterly results since the last fiscal year end, please refer to <http://invest.bnpparibas.com>.

\*Restated according to the IFRIC 21 interpretation.

**THE ACCOUNT BANK, THE SWAP COLLATERAL ACCOUNT BANK, THE GIC PROVIDER, THE AGENT BANK, THE PRINCIPAL PAYING AGENT AND THE REGISTRAR**

Citibank, N.A. is a company incorporated with limited liability in the United States of America under the laws of the City and State of New York on 14 June 1812 and reorganised as a national banking association formed under the laws of the United States of America on 17 July 1865 with Charter number 1461 and having its principal business office at 399 Park Avenue, New York, NY 10043, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with a foreign company number FC001835 and branch number BR001018.

The bank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

The London Branch of Citibank, N.A. is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority.

## THE COLLECTION ACCOUNTS PROVIDER

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

Barclays Bank PLC (together with its subsidiary undertakings (the “**Bank Group**”)) is a transatlantic consumer, corporate and investment bank offering products and services across personal, corporate and investment banking, credit cards and wealth management, with a strong presence in our two home markets of the UK and the US. Following the March 2016 Group Strategy Update, the Bank Group will be focused on two core divisions – Barclays UK and Barclays Corporate & International. Barclays UK comprises the UK retail banking operations, UK consumer credit card business, UK wealth management business and corporate banking for smaller businesses. Barclays Corporate & International comprises the corporate banking franchise, the Investment Bank, the US and international cards business and international wealth management. Assets which do not fit the Bank Group’s strategic objectives will continue to be managed in Barclays Non-Core and designated for exit or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-2 by Standard & Poor’s Credit Market Services Europe Limited, P-1 by Moody’s Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of Barclays Bank PLC are rated A- by Standard & Poor’s Credit Market Services Europe Limited, A2 by Moody’s Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Bank Group’s audited financial information for the year ended 31 December 2015, the Bank Group had total assets of £1,120,727m (2014: £1,358,693m), total net loans and advances<sup>1</sup> of £441,046m (2014: £470,424m), total deposits<sup>2</sup> of £465,387m (2014: £486,258m), and total shareholders’ equity of £66,019m (2014: £66,045m) (including non-controlling interests of £1,914m (2014: £2,251m)). The profit before tax from continuing operations of the Bank Group for the year ended 31 December 2014 was £2,841m (2014: £2,309m) after credit impairment charges and other provisions of £2,114m (2014: £2,168m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2015.

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<sup>1</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>2</sup> Total deposits include deposits from bank and customer accounts.



## **THE MORTGAGE ADMINISTRATION FACILITATOR , THE LEGAL TITLE-HOLDER FACILITATOR AND THE CORPORATE SERVICES PROVIDER**

Structured Finance Management Limited (registered number 03853947), having its principal address at 35 Great St. Helen's, London EC3A 6AP will be appointed to provide corporate services to the Issuer and Parent pursuant to the Corporate Services Agreement.

Structured Finance Management Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans. On 4 December 2015, the Elian Group completed the purchase of SFM Holdings Limited (being the parent company of Structured Finance Management Limited).

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the 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 an Enforcement Notice, the 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 an Enforcement Notice, the 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.

Structured Finance Management Limited will also be appointed as the Mortgage Administration Facilitator and the Legal Title-Holder Facilitator pursuant to the Mortgage Administration Agreement (see the section entitled "*Administration, Servicing and Cash Management of the Mortgage Pool*" for further information).

## CONSTITUTION OF THE MORTGAGE POOL

### The Mortgage Pool

The pool of Loans to be sold to the Issuer on the Issue Date pursuant to the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement respectively will comprise the Completion Mortgage Pool, other than Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been re-transferred to the Sellers pursuant to the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement (as applicable) or in respect of which Enforcement Procedures have been completed, in each case as at the Issue Date, and any Substitute Loans.

The Loans were originated by KMC.

An overview of the portfolio of Loans within the Mortgage Pool with different lending criteria, a summary of which is set out below. The Provisional Completion Mortgage Pool is as of 29 February 2016:

Aggregate Balance .....	£354,257,804
Number of Loans .....	2,220
Average Balance.....	£159,576
Weighted average current Indexed Loan to Value Ratio (Land Registry Index).....	68.38%
Weighted average term to maturity .....	24 years

Repayment terms under each type of mortgage loan differ according to the repayment type (see Table 8 (*Distribution of Loans by Repayment Method*) under “*Characteristics of the Provisional Completion Mortgage Pool*” below). The following repayment types are included in the Provisional Completion Mortgage Pool:

- (a) Repayment Loans;
- (b) Interest Only Loans; and
- (c) Part and Part Loans. Monthly payments in respect of Part and Part Loans are comprised of the interest due on both portions of the Loan and the principal repayable on the portion in respect of which the Borrower is required to pay both interest and principal. The principal amount relating to the portion in respect of which the Borrower is required to pay interest only is repayable at maturity.

Each Repayment Loan, Interest Only Loan and Part and Part Loan is a Loan which is secured by a first ranking legal mortgage.

Each Loan will be either:

- (a) a LIBOR Standard Mortgage; or
- (b) a Fixed Rate Mortgage.

### ***Mortgage Early Redemption Amounts***

Under the terms of each Loan, the Borrower is also obliged to pay a compensation payment if the Loan is redeemed early; the “**Mortgage Early Redemption Amount**”. The compensation payment which that Borrower pays is determined by the particular mortgage offer upon which that Borrower’s Loan was based.

If a Borrower redeems a Loan before the end of the term/within the Relevant Period and takes out a new loan with the Legal Title-Holder, the Cash/Bond Administrator may, in its absolute discretion, up to 30 days after receipt of the Mortgage Early Redemption Amount, refund that Mortgage Early Redemption Amount to that

Borrower. A Mortgage Early Redemption Amount not so refunded will comprise part of the Available Revenue Funds.

If a Borrower defaults and Enforcement Procedures are initiated, the Enforcement Proceeds may be insufficient to repay the Enforcement Liabilities. The Enforcement Proceeds will be applied first in repaying all Enforcement Liabilities. Only when all Enforcement Liabilities have been repaid will the remaining Enforcement Proceeds (if any) be applied towards payment of Mortgage Early Redemption Amounts.

### **Lending Criteria**

Subject to limited exceptions, the following criteria (the “**Lending Criteria**”) are a summary consolidating certain of the lending criteria applied in relation to the Loans originated by KMC between March 2013 and December 2015 which form the mortgage pool at the Issue Date.

#### *Security*

- (a) Each Loan must be secured by a first ranking legal mortgage (a “**Mortgage**” over a freehold or long leasehold residential property (usually at least 35 years longer than the mortgage term) in England or Wales (the “**Property**”).
- (b) Loans will be granted on residential property offered as acceptable security in England and Wales subject to acceptable valuation. Use of all properties will be for owner occupation for residential use only.
- (c) Acceptable tenure comprises: freehold houses; leasehold houses, flats and maisonettes with not less than 35 years remaining on the lease after the term of the mortgage; commonhold.

Unacceptable tenure includes: freehold flats and maisonettes; leasehold houses, flats and maisonettes with less than 35 years remaining on the lease after the term of the mortgage.

- (d) Only Property of standard construction, including self-build houses that are determined as adequate security by a suitably qualified member of the panel of valuers, are acceptable.

Properties of non-standard construction are not considered.

- (e) The following are examples of types of property which are deemed unacceptable as security unless the Legal Title-Holder agrees otherwise:
  - (i) Properties of 100 per cent. timber construction.
  - (ii) Properties designated as defective under the Housing Defects Act 1984 and the Housing Act 1985.
  - (iii) Properties containing mundic block materials.
  - (iv) Ex-local authority flats and maisonettes.
  - (v) Studio flats.
  - (vi) Basement flats.
  - (vii) Steel framed houses. Steel framed flats are acceptable security provided construction occurred in 2001 or later.
  - (viii) Borrower or Borrower-owned business owning more than 25 per cent. of the freehold of the block in so far as can be ascertained at the time of underwriting.
  - (ix) Flats above commercial premises.
  - (x) Grade One Listed Properties.

- (xi) High rise flats over ten storeys (flats over four storeys must have a lift), although high quality high rise flats over ten storeys can be approved by the underwriter if (i) valued at £250,000 or above; (ii) the LTV is equal or less than 75 per cent.; and (iii) it is situated in a city centre with no adverse comments in the valuation.
- (f) The following are examples of types of property which are never acceptable:
- (i) Properties with agricultural restrictions.
  - (ii) Properties determined as unacceptable by the valuer.
  - (iii) Properties less than 10 years old without either a NHBC certificate, Architects Certificate, Professional Consultant's Certificate, Premier Guarantee, BLP Limited Guarantee, Checkmate Castle 10 New Home Warranty, LABC New Home Warranty, Build Zone Warranty or CRL Warranty.
  - (iv) Properties not wholly owned by the Borrower or shared ownership.
  - (v) Multi-unit properties.
  - (vi) Prefabricated re-enforced concrete (repaired or not).
  - (vii) Properties with Japanese Knotweed on site.
  - (viii) Live/work units.
  - (ix) Properties identified as having dry rot.
- (g) Properties offered as security are professionally valued by a nominated panel company. In certain cases where certain LTV thresholds were exceeded or the valuation differed by more than certain amounts from automated valuations done for audit purposes as part of the underwriting process will be subject to two RICS panel valuation reports. Lending will be based on the lower of the two valuation figures.
- (h) Prior to the release of advance monies to a borrower, the Legal Title-Holder requires the property offered as security to be comprehensively insured for not less than the full reinstatement figure recommended by the valuer and shown on the property valuation report plus 12.5 per cent. The policy must, *inter alia*: (i) be a comprehensive index linked insurance policy issued by a reputable insurer and be reviewed annually; (ii) be on standard commercial terms; (iii) contain a mortgagee's protection clause; and (iv) contain a note of the Legal Title-Holder's interest. The Legal Title-Holder does not currently offer buildings insurance at point of sale. Customers must arrange their own insurance prior to completion. In all cases prior to completion, a valid buildings insurance policy must be checked by the Legal Title-Holder's solicitors/title insurers prior to completion to ensure suitable cover is in place.

#### *Loan Amount*

For owner occupied Loans, for first-time buyers, the maximum loan amount (excluding any applicable fees) is £500,000. For purchase and remortgage, the maximum loan amount (excluding any applicable fees) is £2,000,000 up to 75 per cent. LTV and £500,000 above 75 per cent. LTV.

For buy-to-let Loans, the maximum loan amount is £1,000,000 for Loans up to 75 per cent. LTV and £500,000 for Loans above 75 per cent. LTV.

On all Loans to a single Borrower, there is a cap of £2,000,000 maximum loan amount with no more than £1,000,000 on buy-to-let loans.

#### *Loan to Value*

- (a) The LTV is calculated by dividing the gross principal amount committed at completion of the Loan (exclusive of any arrangement fee which may be added to the Loan) by the valuation of the Property at origination of the Loan or, in some cases, the lower of such valuation and the sale price.

- (b) The LTV of each Loan at the date of the advance must be no more than 90 per cent. (inclusive of any fees added to the Loan).

#### *Term*

A loan term of between five and 40 years can be considered subject to scheme rules.

#### *Borrowers*

- (a) A minimum of one and a maximum of four Borrowers (two Borrowers for loans underwritten after April 2014) are allowed to be parties to the Loan. Only the two highest incomes will be used for calculating the lending available.
- (b) Minimum age requirements vary with product and the time at which the Loan was originated. Borrowers must have been at least 21 years of age prior to completion of the Loan. For most products, the maximum age of any borrower at the end of mortgage term must not exceed 65.
- (c) The Borrower's credit and employment history will have been assessed with the aid of the following:
  - (i) a search covering a period of 24 months prior to the date of application supplied by a credit reference agency;
  - (ii) confirmation of voters roll entries;
  - (iii) full 12 months employment history (if applicable);
  - (iv) references from former lenders (if not shown on the credit reference agency report); and
  - (v) references from current and/or previous commercial landlords.
- (d) Some schemes may allow CCJs provided that they have not been issued in the two years prior to origination.
- (e) A comprehensive explanation for any arrears from a Borrower must accompany any application with arrears history and the relevant underwriters must have been satisfied that the problems that caused the arrears situation are unlikely to reoccur following completion of the Loan.

#### *Income and Affordability*

##### *Income*

##### Owner occupied loans

- (a) Applicants with the higher gross income will be considered the primary applicant except in cases where applicants formally request the contrary. On residential applications, there is no minimum income requirement and the underwriter will assess the application on affordability taking into consideration the overall application is of sufficient high quality taking into account length and type of current employment, split between basic and variable income levels and credit history. For buy-to-let applications and on sole applicant applications there must be a minimum total assessable income of £18,000. In assessing minimum income no Working Family Tax Credits can be taken into account and income must be from a single source. Employed applicants must be in the same employment for more than three months and must have completed any probationary period. Ideally, a three year net profit history is required to verify income in self-employed situations; however, a minimum of one year's trading supported by financial accounts is acceptable. The underwriter will be satisfied that the self-employed business is in existence. Selected schemes are underwritten on confirmation of projected rental income where the property is to be let out on an Assured Shorthold Tenancy Agreement. The rental income projection must be confirmed by a RICS qualified valuer.

- (b) Having established the level of income attributable to each applicant, regular and ongoing financial commitments over and above normal household expenditure will be annualised and deducted from this figure to determine the net disposable income and used in the affordability calculation.
- (c) Where income calculations allow, loans excluding existing mortgages will not need to be redeemed as a condition of the mortgage offer.

#### *Affordability*

- (a) All residential applications are subject to a full affordability assessment. Income is classed as 100 per cent. of net profit figure or basic salary and up to 100 per cent. of all bonuses, overtime, dividends shares of profits, guaranteed salary allowances, private pensions, investment income and other declarable income for tax purposes. Income is only acceptable if it is regular, sustainable and evidenced.
- (b) For residential mortgage loans only, as a secondary stream of income only and not to be used as part of the minimum income criteria, the following are acceptable: Maintenance payments supported by Court Order/Child Support Agency documentation and last three months bank statements to verify receipts.
- (c) For residential mortgages, central to the affordability assessment is the calculation of the applicant's disposable income, which is determined by reference to the gross declared income of the applicant less amounts to be applied towards payment of (i) tax, national insurance and council tax, (ii) a loading amount determined by the number of dependants of the applicant and (iii) contractual commitments and regular expenditure.
- (d) Once the applicant's disposable income has been calculated, a Debt-to-Income Ratio ("**DTIR**") affordability calculation is carried out in order to determine the maximum amount an applicant can borrow on a repayment or interest only basis (and, if interest only, the DTIR calculation should include the cost, as appropriate, of any repayment vehicle). The DTIR calculation uses a 'loaded' reversionary rate in its calculations to stress the borrower's affordability both now and if rates increase. The loading will vary from time to time and currently it is 3 per cent. above the reversionary rate.
- (e) The amount an applicant can borrow is limited to the maximum loan size allowed as calculated by the DTIR calculation (capped at a maximum of 4.5 times income).
- (f) Where the affordability assessment does not support the level of borrowing requested the case will have been declined or the loan amount reduced.

#### *Buy to Let Loans*

For buy-to-let Loans, gross rental income must be a minimum of 120 per cent. (or as otherwise determined by the relevant product guide) of the pay rate and approximately 100 per cent. of the reversionary rate plus a 1 per cent. loading on an interest only or capital and interest basis. The rental yield must be based on the rent confirmed by a qualified RICS valuer. In some cases, a RICS audit valuation may also be obtained to confirm the property value.

#### *Solicitors*

Any firm of solicitors acting on behalf of the lender on the making of each Loan must be registered with the Law Society of England and Wales. For loans originated prior to 1 March 2011 the firm of solicitors acting on behalf of the lender had to have at least three partners. This requirement was increased to four partners on 1 March 2011.

#### *Further Advance*

Borrowers may request further advances.

Should the Legal Title-Holder agree to pay any further advances made on a Loan on or after the Issue Date, this will result in the relevant Seller or KMC (or an affiliate thereof), being required to repurchase such Loan

(or procure the repurchase of such Loan), on a joint and several basis, from the Issuer and make a cash payment to the Issuer as consideration therefor.

#### *Porting*

The Loans are not portable.

#### *Changes to Lending Criteria, Administration and Servicing*

Subject to obtaining any relevant consents, the Legal Title-Holder as lender of record in respect of the Loans and Mortgages and the Mortgage Administrator may vary the relevant Lending Criteria or the basis on which consents or approvals are given to Borrowers from time to time and the Legal Title-Holder may vary the service specification and collection policies and, in each case, in doing so they must act as a reasonably prudent mortgage lender acting in a manner consistent with that of an experienced lender, servicer or administrator of residential mortgage loans lending to borrowers in England and Wales who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital (a “**Prudent Mortgage Lender**”).

#### *Title Insurance*

In respect of Loans comprising the Mortgage Pool, either (a) solicitors will have carried out usual investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors or conveyancers normally make when lending to an individual on the security of residential property in England and Wales and in each case received a certificate of title or report on title relating to such Property, or (b) title insurance will have been obtained. If title insurance was obtained, this will have been provided by First Title Limited (“**Title Insurance Provider**”) and the Issuer will have the benefit of the First Title policy in respect of the relevant Loans sold to the Issuer pursuant to the Kayl/Issuer Mortgage Sale Agreement and KWL/Issuer Mortgage Sale Agreement (as applicable).

#### *Valuation*

Investors should be aware that, other than the valuation of Properties undertaken as at origination (as more fully described in “*Sale of the Mortgage Pool*”), no revaluation of any Property has been undertaken by the Arranger, the Joint Lead Managers, KMC, the Sellers, the Issuer, the Mortgage Administrator, the Trustee or any other person in respect of the issue of the Notes and the valuations quoted are at the date of the original Loan origination.

#### *Payments*

The Loans require monthly payments.

## CHARACTERISTICS OF THE PROVISIONAL COMPLETION MORTGAGE POOL

The statistical and other information contained in this Prospectus has largely been compiled by reference to Loans in the Mortgage Pool as at 29 February 2016 (the “**Cut-Off Date**”) (the “**Provisional Completion Mortgage Pool**”). The Provisional Completion Mortgage Pool has the aggregate characteristics indicated in the Tables below. The first Performance Report delivered after the Issue Date will reflect the loans in the Completion Mortgage Pool.

The information contained these tables has been extracted from information provided by the Mortgage Administrator (which information has been subject to rounding and therefore columns of percentages may not add up to 100 per cent.). None of the information provided in such section have been the subject of an audit. In particular, information relating to CCJs, Bankruptcy Orders or IVAs has not been subject to due diligence by means of an agreed upon procedure or other similar examination. The Mortgage Administrator is not providing any representations or warranties in respect of this information.

Each of the Arranger and the Joint Lead Managers are entitled to assume that all information provided to them by the Mortgage Administrator for the purpose of reporting on the arithmetic or other accuracy is true and correct and is complete and not misleading and are not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information save that the Mortgage Administrator will be required to advise the Joint Lead Managers if they have not been provided with any of those figures which it is required to provide.

Further information in respect of anonymised individual loan level data may be obtained on the following website: [www.ctslink.com](http://www.ctslink.com). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

A Loan will be removed from the Mortgage Pool if, in the period from (and including) the Cut-Off Date up to (but excluding) the date on which the Completion Mortgage Pool is confirmed, such Loan is repaid in full or such Loan does not comply with the Warranties given in respect of the Loans in the Mortgage Pool.

### Pool Stratification

*Table 1: Summary*

<b>Summary Characteristics</b>	<b>Total</b>
Balance.....	354,257,804
Number of Loans .....	2,220
Weighted Average Original LTV .....	72.11%
Average Balance.....	159,576
Weighted Average Interest Rate .....	3.89%
Weighted Average Stabilised Margin .....	4.23%
Weighted Average Term To Maturity (Years).....	24
Weighted Average Current Indexed LTV (Land Registry Index).....	68.38%
Self-Certified.....	0.00 %
Self-Employed .....	43.97 %
Buy to Let .....	18.59 %
Weighted Average Origination Date.....	31-Aug-15
Bankruptcy/IVA .....	0.00 %
Largest Loan Balance.....	1,999,671



Table 2: Distribution of Loans by Loan to Value Ratio (Original Loan to Value)

<b>Original Loan to Value</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Original Balance</b>	<b>% of Original Balance</b>
<=10.00% .....	8	0.36%	366,502	0.1%
>10.00% <=20.00%.....	24	1.08%	1,569,716	0.44%
>20.00% <=30.00%.....	41	1.85%	3,787,334	1.06%
>30.00% <=40.00%.....	59	2.66%	7,527,708	2.11%
>40.00% <=50.00%.....	94	4.23%	12,924,784	3.62%
>50.00% <=60.00%.....	202	9.1%	33,571,253	9.39%
>60.00% <=70.00%.....	328	14.77%	56,819,884	15.9%
>70.00% <=80.00%.....	776	34.95%	124,173,064	34.75%
>80.00% <=90.00%.....	688	30.99%	116,600,367	32.63%
>90.00% <=100.00%.....	0	0.00%	0	0.00%
>100.00% .....	0	0.00%	0	0.00%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>357,340,612</b>	<b>100%</b>
Weighted Average .....				72.11%
Minimum.....				3.03%
Maximum.....				87.54%

Table 3: Distribution of Loans by Loan to Value Ratio (Current Loan to Value)

Current Loan to Value <sup>(1)</sup>	No. of Loans	% of Loans	Balance	% Of Balance
<=10.00%.....	8	0.36%	358,457	0.10%
>10.00% <=20.00%.....	24	1.08%	1,543,855	0.44%
>20.00% <=30.00%.....	41	1.85%	3,736,074	1.05%
>30.00% <=40.00%.....	62	2.79%	7,793,337	2.20%
>40.00% <=50.00%.....	106	4.77%	14,691,717	4.15%
>50.00% <=60.00%.....	205	9.23%	33,725,112	9.52%
>60.00% <=70.00%.....	327	14.73%	57,150,647	16.13%
>70.00% <=80.00%.....	859	38.69%	139,654,690	39.42%
>80.00% <=90.00%.....	588	26.49%	95,603,916	26.99%
>90.00% <=100.00%.....	0	0.00%	0	0.00%
>100.00%.....	0	0.00%	0	0.00%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

Weighted Average ..... 71.52%

Minimum ..... 2.97%

Maximum..... 86.36%

Note:

(1) Current Loan to Value – current balance/original valuation

Table 4: Distribution of Loans by Balance

Balance	No. of Loans	% of Loans	Balance	% Of Balance
<=25,000.....	9	0.41%	218,256	0.06%
>25,000 <=50,000.....	50	2.25%	2,018,344	0.57%
>50,000 <=100,000.....	607	27.34%	48,549,781	13.7%
>100,000 <=150,000.....	615	27.7%	75,850,812	21.41%
>150,000 <=200,000.....	414	18.65%	71,946,256	20.31%
>200,000 <=250,000.....	233	10.5%	51,799,786	14.62%
>250,000 <=500,000.....	274	12.34%	90,651,081	25.59%
>500,000 <=750,000.....	14	0.63%	8,256,619	2.33%
>750,000 <=1,000,000.....	2	0.09%	1,657,801	0.47%
>1,000,000.....	2	0.09%	3,309,068	0.93%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

Average ..... 159,576

Minimum..... 22,692

Maximum..... 1,999,671

Table 5: Distribution of Loans with CCJs

CCJs by Original Loan to Value	No. of Loans	% of Loans	No. of Loans CCJ=0	No. of Loans CCJ=0	No. of Loans CCJ=1	No. of Loans CCJ=1	No. of Loans CCJ>1	No. of Loans CCJ>1
				% of Total		% of Total		% of Total
<=10.00%.....	8	0.36%	8	0.36%	0	0.00%	0	0.00%
>10.00% <=20.00%.....	24	1.08%	21	0.95%	2	0.09%	1	0.05%
>20.00% <=30.00%.....	41	1.85%	37	1.67%	3	0.14%	1	0.05%
>30.00% <=40.00%.....	59	2.66%	47	2.12%	11	0.5%	1	0.05%
>40.00% <=50.00%.....	94	4.23%	80	3.6%	10	0.45%	4	0.18%
>50.00% <=60.00%.....	202	9.1%	167	7.52%	25	1.13%	10	0.45%
>60.00% <=70.00%.....	328	14.77%	287	12.93%	35	1.58%	6	0.27%
>70.00% <=80.00%.....	776	34.95%	697	31.4%	51	2.3%	28	1.26%
>80.00% <=90.00%.....	688	30.99%	581	26.17%	86	3.87%	21	0.95%
>90.00% <=100.00%.....	0	0.00%	0	0.00%	0	0.00%	0	0.00%
>100.00% .....	0	0.00%	0	0.00%	0	0.00%	0	0.00%
<b>Total.....</b>	<b>2220</b>	<b>100%</b>	<b>1925</b>	<b>86.71%</b>	<b>223</b>	<b>10.05%</b>	<b>72</b>	<b>3.24%</b>

Table 6: Distribution of Loans by Remaining time to maturity

Remaining Time to Maturity (Years)	No. of Loans	% of Loans	Balance	% Of Balance
<=5 .....	6	0.27%	646,488	0.18%
>5 <=10 .....	84	3.78%	8,478,169	2.39%
>10 <=15 .....	258	11.62%	30,490,417	8.61%
>15 <=20 .....	430	19.37%	64,537,751	18.22%
>20 <=25 .....	699	31.49%	113,501,698	32.04%
>25 <=30 .....	518	23.33%	93,081,709	26.28%
>30 <=35 .....	186	8.38%	35,189,968	9.93%
>35 <=40 .....	39	1.76%	8,331,604	2.35%
<b>Total.....</b>	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

Weighted Average .....	24.11
Minimum.....	3.30
Maximum.....	39.81

Table 7: Distribution of Loans by Seasoning

Seasoning (Months)	No. of Loans	% of Loans	Balance	% Of Balance
<=12 .....	1990	89.64%	323,192,246	91.23%
>12 <=24 .....	221	9.95%	29,982,918	8.46%
>24 <=36 .....	9	0.41%	1,082,640	0.31%
>36 <=48 .....	0	0.00%	0	0.00%
>48 <=60 .....	0	0.00%	0	0.00%
>60 <=72 .....	0	0.00%	0	0.00%
>72 <=84 .....	0	0.00%	0	0.00%
>84 <=96 .....	0	0.00%	0	0.00%
>96.....	0	0.00%	0	0.00%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>
Weighted Average .....				5.97
Minimum.....				1.54
Maximum.....				35.78

Table 8: Distribution of Loans by Repayment Method

Repayment Method	No. of Loans	% of Loans	Balance	% Of Balance
Interest Only .....	497	22.39%	73,182,605	20.66%
Repayment.....	1718	77.39%	280,087,247	79.06%
Part & Part .....	5	0.23%	987,952	0.28%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

Table 9: Distribution of Loans by Rate Type

Rate Type	No. of Loans	% of Loans	Balance	% Of Balance
Floating (for life) .....	9	0.41%	1,207,199	0.34%
Fixed to Floating.....	2211	99.59%	353,050,605	99.66%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

Table 10: Distribution of Loans by Interest Product Type<sup>(1)</sup>

Interest Product Type	No. of Loans	% of Loans	Balance	% Of Balance
3 Month LIBOR.....	2220	100%	354,257,804	100%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

Note:

(1) Refers to the reversionary rate index

Table 11: Distribution of Loans by Fixed Rate Reversion Year

<b>Fixed Rate Reversion Year</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Balance</b>	<b>% Of Balance</b>
Floating.....	9	0.41%	1,207,199	0.34%
2016.....	131	5.9%	17,128,951	4.84%
2017.....	1819	81.94%	297,609,171	84.01%
2018.....	257	11.58%	37,645,923	10.63%
2019.....	0	0.00%	0	0.00%
2020.....	4	0.18%	666,561	0.19%
<b>Total.....</b>	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

Table 12: Distribution of Loans by Interest Rate

<b>Interest Rate</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Balance</b>	<b>% Of Balance</b>
<=3.00%.....	0	0.00%	0	0.00%
>3.00% <=3.50%.....	309	13.92%	70,708,925	19.96%
>3.50% <=4.00%.....	868	39.1%	126,548,519	35.72%
>4.00% <=4.50%.....	740	33.33%	115,847,452	32.7%
>4.50% <=5.00%.....	268	12.07%	37,060,132	10.46%
>5.00% <=5.50%.....	33	1.49%	3,745,126	1.06%
>5.50% <=6.00%.....	1	0.05%	214,183	0.06%
>6.00% <=6.50%.....	1	0.05%	133,465	0.04%
>6.50% <=7.00%.....	0	0.00%	0	0.00%
>7.00% <=7.50%.....	0	0.00%	0	0.00%
>7.50%.....	0	0.00%	0	0.00%
<b>Total.....</b>	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

Weighted Average .....	3.89%
Minimum.....	3.09%
Maximum.....	6.10%

Table 13: Distribution of Loans by Stabilised Margin

Stabilised Margin	No. of Loans	% of Loans	Balance	% Of Balance
<=3.00% .....	0	0.00%	0	0.00%
>3.00% <=3.50% .....	0	0.00%	0	0.00%
>3.50% <=4.00% .....	0	0.00%	0	0.00%
>4.00% <=4.50% .....	1879	84.64%	309,647,064	87.41%
>4.50% <=5.00% .....	340	15.32%	44,477,274	12.56%
>5.00% <=5.50% .....	1	0.05%	133,465	0.04%
>5.50% <=6.00% .....	0	0.00%	0	0.00%
>6.00% <=6.50% .....	0	0.00%	0	0.00%
>6.50% <=7.00% .....	0	0.00%	0	0.00%
>7.00% <=7.50% .....	0	0.00%	0	0.00%
>7.50% .....	0	0.00%	0	0.00%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>
Weighted Average .....				4.23%
Minimum .....				4.10%
Maximum .....				5.10%

Table 14: Distribution of Loans by Arrears

Arrears	No. of Loans	% of Loans	Balance	% Of Balance
<=1 .....	2214	99.73%	353,015,113	99.65%
>1 <=2 .....	3	0.14%	289,471	0.08%
>2 <=3 .....	1	0.05%	81,044	0.02%
>3 .....	2	0.09%	872,175	0.25%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>
Weighted Average .....				0.03
Minimum .....				0.00
Maximum .....				10.50

Table 15: Distribution of Loans by Original Tenure of Loan to Value

Tenure by Original LTV	No. of Loans	% of Loans	No. of Loans Freehold	% of Total	No. of Loans Leasehold	% of Total
<=10.00%.....	8	0.36%	7	0.32%	1	0.05%
>10.00% <=20.00%.....	24	1.08%	21	0.95%	3	0.14%
>20.00% <=30.00%.....	41	1.85%	38	1.71%	3	0.14%
>30.00% <=40.00%.....	59	2.66%	54	2.43%	5	0.23%
>40.00% <=50.00%.....	94	4.23%	86	3.87%	8	0.36%
>50.00% <=60.00%.....	202	9.10%	181	8.15%	21	0.95%
>60.00% <=70.00%.....	328	14.77%	284	12.79%	44	1.98%
>70.00% <=80.00%.....	776	34.95%	638	28.74%	138	6.22%
>80.00% <=90.00%.....	688	30.99%	624	28.11%	64	2.88%
>90.00% <=100.00%.....	0	0.00%	0	0.00%	0	0.00%
>100.00% .....	0	0.00%	0	0.00%	0	0.00%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>1933</b>	<b>87.07%</b>	<b>287</b>	<b>12.93%</b>

Table 16: Distribution of Loans by Loan Purpose

Loan Purpose	No. of Loans	% of Loans	Balance	% Of Balance
Purchase.....	1455	65.54%	245,387,406	69.27%
Remortgage.....	615	27.70%	87,864,216	24.80%
Debt Consolidation .....	150	6.76%	21,006,181	5.93%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

Table 17: Distribution of Loans by Property Type

Property Type	No. of Loans	% of Loans	Balance	% Of Balance
House, detached or semi-detached.....	1672	75.32%	272,746,123	76.99%
Flat/Apartment.....	202	9.10%	32,009,508	9.04%
Bungalow.....	111	5.00%	17,371,363	4.90%
Terraced House.....	235	10.59%	32,130,810	9.07%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

*Table 18: Distribution of Loans by Region*

<b>Regions</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Balance</b>	<b>% Of Balance</b>
East Anglia .....	83	3.74%	10,904,170	3.08%
East Midlands .....	205	9.23%	24,001,566	6.78%
Greater London.....	317	14.28%	79,566,596	22.46%
North.....	84	3.78%	9,497,178	2.68%
North West.....	254	11.44%	31,374,466	8.86%
South East.....	520	23.42%	99,280,891	28.03%
South West.....	262	11.80%	39,270,654	11.09%
Wales .....	117	5.27%	12,322,417	3.48%
West Midlands.....	209	9.41%	28,167,177	7.95%
Yorkshire & Humberside.....	169	7.61%	19,872,688	5.61%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

*Table 19: Originator*

<b>Originator</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Balance</b>	<b>% Of Balance</b>
KML .....	2220	100%	354,257,804	100%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

*Table 20: Distribution of Loans by Occupancy Type*

<b>Occupancy Type</b>	<b>No. of Loans</b>	<b>% of Loans</b>	<b>Balance</b>	<b>% Of Balance</b>
Non-Owner-Occupied / BTL.....	494	22.25%	65,856,571	18.59%
Owner-Occupied.....	1726	77.75%	288,401,233	81.41%
<b>Total</b> .....	<b>2220</b>	<b>100%</b>	<b>354,257,804</b>	<b>100%</b>

**The Sellers to retain accrued but unpaid interest**

Under the terms of the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement, the Issuer shall not be entitled to receive any Accrued Interest and any payments received by the Issuer in respect of Accrued Interest will be for the account of the relevant Seller for so long as the relevant Borrower is not in arrears with respect to any amounts due from the Issue Date. As between each Seller and the Issuer, that Seller is not entitled to receive Accrued Interest from any Borrower if amounts due to the Issuer from that Borrower are in arrears with respect to any amounts due and payable from the Issue Date.



## TITLE TO THE MORTGAGE POOL

The Loans and the Collateral Security will be sold by the Sellers to the Issuer. The sale of the Loans and their related Mortgages will take effect in equity only and as at the Issue Date, legal title to all Loans and Collateral Security is either held by the Legal Title-Holder or is in the process of being registered in its name. The Issuer will grant a first fixed equitable charge in favour of the Trustee over its interests in the Loans, the Mortgages and their related Collateral Security.

The Mortgage Administrator is required under the terms of the Mortgage Administration Agreement to ensure the safe custody of title deeds. The Mortgage Administrator will have custody of title deeds in respect of the Loans and the Collateral Security as agent of the Issuer and, following any enforcement action by the Trustee against the Issuer, the Trustee.

Save as mentioned below, neither the Issuer nor the Trustee will effect any registration at the Land Registry to protect the sale of the Loans and the Collateral Security by the Sellers to the Issuer or the charge of them by the Issuer in favour of the Trustee nor, save as mentioned below, will they be entitled to obtain possession of the title deeds to the Properties or the Loans and their related Mortgages.

Save as mentioned below, notice of the sale to the Issuer and the equitable charge in favour of the Trustee will not be given to the Borrowers.

Under the Kayl/Issuer Mortgage Sale Agreement, the KWL/Issuer Mortgage Sale Agreement and the Deed of Charge, the Issuer (with the consent of the Trustee) or the Trustee will each be entitled to effect such registrations, recordings and give such notices as it considers necessary to protect and perfect the interests respectively of the Issuer (as purchaser) and the Trustee (as chargee) in the Loans and the Collateral Security, *inter alia*, where (i) in the case of an individual Loan only it is obliged to do so by law, by court order or by law or by a mandatory requirement of any regulatory authority, (ii) an Enforcement Notice by the Trustee to the Issuer under Note Condition 9 (*Events of Default*) of the Notes has been given, (iii) the Trustee considers that the Charged Property or any part thereof is in jeopardy (including the possible insolvency of the Legal Title-Holder) or (iv) any action is taken for the winding-up, dissolution, administration or reorganisation of the Legal Title-Holder. These rights are supported by irrevocable powers of attorney given by the Issuer and the Legal Title-Holder in favour of the Trustee.

The effect of (i) not giving notice to the Borrowers of the sale of the relevant Loans and their Collateral Security to the Issuer and the charging of the Issuer's interest in the Loans and their Collateral Security to the Trustee and (ii) the charge of the Issuer's rights thereto in favour of the Trustee pursuant to the Deed of Charge taking effect in equity only, is that the rights of the Issuer and the Trustee may be, or may become, subject to equities as well as to the interests of third parties who perfect a legal interest or title prior to the Issuer or the Trustee acquiring and perfecting a legal interest or title (such as, in the case of Mortgages over unregistered land, a third party acquiring a legal interest in the relevant Mortgage without notice of the Issuer's or the Trustee's interests or, in the case of Mortgages over registered land (whether at the Land Registry), a third party acquiring a legal interest or title by registration or recording prior to the registration or recording of the Issuer's or the Trustee's interests).

The risk of such equities and other interests leading to third party claims obtaining priority to the interests of the Issuer or the Trustee in the Loans and the Collateral Security is likely to be limited to circumstances arising from a breach by the relevant Seller, the Legal Title-Holder or the Issuer of its or their contractual or other obligations or fraud or mistake on the part of the relevant Seller, the Legal Title-Holder or the Issuer or their respective officers, employees or agents (if any).

## SALE OF THE MORTGAGE POOL

On the Issue Date: (i) Kayl will agree to sell its interest in the Completion Mortgage Pool to the Issuer for (A) an immediate cash payment of £28,052,928 payable on the Issue Date and (B) 79 Certificates; and (ii) KWL will agree to sell its interest in the Completion Mortgage Pool to the Issuer for (A) an immediate cash payment of £326,681,086 payable on the Issue Date and (B) 921 Certificates. This amount may be settled by way of set-off in the event a Seller agrees to subscribe for some or all of the Notes.

### Warranties and Repurchase

#### Issue Date

Each of the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement contain representations and warranties given by the Legal Title-Holder and the relevant Seller, in relation to the relevant Loans sold pursuant to the relevant mortgage sale agreement on the Issue Date. No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer or the Trustee, each of whom is relying upon the representations and warranties in the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement.

If there is an unremedied or unremediable breach of any of these representations and warranties which could have a material adverse effect on the value of any Loan and its Collateral Security (other than where such breach was disclosed at the point of sale to the Issuer), then the relevant Seller or KMC, , is required to repurchase, or procure the repurchase by one of its affiliates of, on a joint and several basis, the relevant Loan and its Collateral Security for a consideration in cash equal to the Repurchase Price or at the option of the relevant Seller or KMC, substitute an alternative mortgage loan of an appropriate value in replacement of the Loan where the breach applies. Performance of the obligation to repurchase will be in satisfaction of all liabilities of the Legal Title-Holder, the relevant Seller in respect thereof.

The representations and warranties referred to will include, *inter alia*, statements to the following effect:

- (a) The particulars of each Loan and its related Mortgage set out in Annexure A to, in the case of Kayl, the Kayl/Issuer Mortgage Sale Agreement are complete, true and accurate in all material respects. Immediately prior to the Issue Date, Kayl was the absolute beneficial owner of all of the relevant Loans and their related Mortgages and Mortgage Rights and such other related property and entitled to call for the transfer of legal title of such Loans from the Legal Title-Holder and the Mortgages and Mortgage Rights and such other property relating thereto to be sold to the Issuer, and Kayl has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, disposed of or dealt with the benefit of any of the Loans or their related Mortgages, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the Kayl/Issuer Mortgage Sale Agreement in any way whatsoever other than (i) pursuant to the Kayl/Issuer Mortgage Sale Agreement, pursuant to the Stirling Square PL Mortgage Sale Agreement and pursuant to the Berkeley Square PL Mortgage Sale Agreement; and (ii) any security interest which will be released immediately prior to sale. In addition, immediately prior to the Issue Date, the Legal Title-Holder holds or will hold, upon completion of any pending applications for registration or recording of the Legal Title-Holder at the Land Registry, legal title to all relevant Loans and related Mortgages and the Mortgage Rights. Immediately prior to the Issue Date, the Legal Title-Holder has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, disposed of or dealt with the benefit of the Loans or their related Mortgages, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the Kayl/Issuer Mortgage Sale Agreement in any way whatsoever other than (i) pursuant to the Kayl/Issuer Mortgage Sale Agreement, pursuant to the Stirling Square PL Mortgage Sale Agreement and pursuant to the Berkeley Square PL Mortgage Sale Agreement, or (ii) charged or assigned pursuant to the Deed of Charge.

- (b) The particulars of each Loan and its related Mortgage set out in Annexure A to, in the case of KWL, the KWL/Issuer Mortgage Sale Agreement are complete, true and accurate in all material respects. Immediately prior to the Issue Date, KWL was the absolute beneficial owner of all of the relevant Loans and their related Mortgages and Mortgage Rights and such other related property and entitled to call for the transfer of legal title of such Loans from the Legal Title-Holder and the Mortgages and Mortgage Rights and such other property relating thereto to be sold to the Issuer, and KWL has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, disposed of or dealt with the benefit of any of the relevant Loans or their related Mortgages, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the KWL/Issuer Mortgage Sale Agreement in any way whatsoever other than (i) pursuant to the KWL/Issuer Mortgage Sale Agreement and pursuant to the Stirling Square KWL Mortgage Sale Agreement and (ii) any security interest which will be released immediately prior to sale. In addition, immediately prior to the Issue Date, the Legal Title-Holder holds or will hold, upon completion of any pending applications for registration or recording of the Legal Title-Holder at the Land Registry, legal title to all relevant Loans and related Mortgages and the Mortgage Rights. Immediately prior to the Issue Date, the Legal Title-Holder has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, disposed of or dealt with the benefit of the relevant Loans or their related Mortgages, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the KWL/Issuer Mortgage Sale Agreement in any way whatsoever other than (i) pursuant to the KWL/Issuer Mortgage Sale Agreement and pursuant to the Stirling Square KWL Mortgage Sale Agreement, or (ii) charged or assigned pursuant to the Deed of Charge.
- (c) Each Loan and its related Mortgage is non-cancellable and constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms (except that: (a) enforceability may be limited by (i) bankruptcy or insolvency of the Borrower or other laws relating to enforcement of general applicability affecting the enforcement rights of creditors generally and the court's discretion in relation to equitable remedies (or, in limited circumstances, if the Borrower purchased the property from a bankrupt vendor); (ii) the application of the UTCCR, the CRA or the CCA (if the CCA is deemed to apply to the Loans); or (iii) fraud; and (b) no warranty is given in relation to any obligation of the Borrower to pay early repayment charges or charges payable in the event of Borrower default) and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower (other than in relation to any repayment charges where repayment takes place following the early repayment charge period) provided that nothing in this paragraph (c) constitutes a representation or a warranty as to the sufficiency of such Property as security for indebtedness secured on it.
- (d) Subject to completion of any registration which may be pending at the Land Registry, each Mortgage relating to a Loan constitutes a first legal mortgage over the relevant Property.
- (e) The Loans were originated by the Originator and, at the time of origination of the Loans, the Originator took reasonable steps to verify that each Loan was made in accordance with the applicable Lending Criteria in effect at the time of its origination.
- (f) The Loans were originated by the Originator in the ordinary course of business.
- (g) All steps necessary to perfect the Legal Title-Holder's title to each Loan, together with their related Mortgages, were duly taken at the appropriate time or are in the process of being taken with all due diligence.
- (h) No lien or right of set-off or counterclaim has been created or arisen between Kayl (or, as the case may be, KWL) or the Legal Title-Holder and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Loan.

- (i) In relation to each Mortgage relating to a Loan which is not the subject of a Title Insurance Policy:
  - (i) if the Property is not registered the Borrower has a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property or other good freehold state (if freehold) or a term of years absolute (if leasehold) free (save for the Mortgage) from any encumbrance which would affect such title; and
  - (ii) if the Property is registered it has been or is in the course of registration with title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property or possessory title in the case of freehold or leasehold title where (in accordance with the relevant Lending Criteria) such possessory title has been taken into account by the value in the valuation of the Property.
- (j) In relation to each Mortgage of Property relating to a Loan, title to which is registered and which is not subject to a Title Insurance Policy, an application for registration has been delivered to the Land Registry within the priority period conferred by an official search against the relevant title at the Land Registry and in relation to each Mortgage of Property title to which is unregistered and which is not subject to a Title Insurance Policy, such Mortgage was completed within the priority period conferred by an official search at the Land Charges Department and, where such unregistered Property is subject to first registration, an application for registration of the Borrower's title and of the Mortgage has been delivered to the Land Registry within two months of the date of the dealing giving rise to first registration in accordance with section 4 of the Land Registration Act 2002 and, in each case, the relevant search did not reveal any matter which would materially adversely affect the mortgagee's interest under the relevant Mortgage.
- (k) In relation to each Mortgage of Property relating to a Loan, where registration is pending at the Land Registry, so far as it is aware, there is no caution, notice, inhibition or restriction which would prevent the registration of the Mortgage.
- (l) Each Loan and its related Mortgage:
  - (i) has been materially made on the terms of the Standard Documentation referred to in Annexure C of the Kayl/Issuer Mortgage Sale Agreement or Annexure C of the KWL/Issuer Mortgage Sale Agreement (so far as applicable); and
  - (ii) has not been varied amended, modified and no waiver or extension has been granted which would impair the enforceability or collectability of all or a material part of such Loan since the date of completion of such Loan.
- (m) Interest on each Loan is charged on such Loan in accordance with the provisions of that Loan and its related Mortgage.
- (n) No Loan has a Balance of greater than £2,000,000 on the relevant date of sale to the Issuer.
- (o) No Loan has a final maturity beyond the date falling two years prior to the Final Maturity Date of the A Notes.
- (p) The Originator has procured that since the creation of each Loan full and proper accounts, books and records have been kept showing clearly all transactions, payments, receipts and proceedings relating to that Loan and its related Mortgage and all such accounts, books and records are up to date, accurate and in the possession of the Legal Title-Holder or held to its order.
- (q) Neither the relevant Seller nor the Legal Title-Holder has received written notice of any litigation or claim calling into question in any material way its title to any Loan and its related Mortgage or their ability to fully, effectively and promptly enforce the same.

- (r) In respect of any Property which is subject to a second ranking or subsequent mortgage, the Mortgage has first priority for the full amount of the Loan and all costs, fees and expenses relative thereto.
- (s) Subject to completion of any registration or recording which may be pending at the Land Registry, all property deeds relating to the Loans and loan files relating to the Loans are held by, or to the order of, the Legal Title-Holder.
- (t) Each Borrower is an individual, and no Borrower is at present an employee of the Legal Title-Holder or the relevant Seller or any related company.
- (u) No Loan or its related Mortgage contains an obligation to make any further advance.
- (v) All Loans are either LIBOR Standard Mortgages or Fixed Rate Mortgages.
- (w) All formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their related Mortgages and the Mortgage Rights to be sold under the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement (as applicable) have been obtained or taken and all Loans and related security are freely assignable and no formal approvals, consents or other steps are necessary as at the Issue Date to permit a legal, equitable or beneficial transfer of the Loans and related security, save only for the relevant transfer (and in the case of a legal transfer, registration at the relevant registries and notification to the relevant Borrower) itself, and no notification to any Borrower is required to effect any equitable or beneficial transfer of the Loans and related security to the Issuer pursuant to the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement (as applicable) and the Loans and related security are not subject to any contractual confidentiality restrictions which may restrict the ability of the Issuer to acquire the same.
- (x) At origination of each Loan, variable direct debit instructions in favour of the Legal Title-Holder or the Originator (or other arrangements acceptable to the Legal Title-Holder to ensure regular payment) were completed in respect thereof and such completed variable direct debit instructions were held by or on behalf of the Legal Title-Holder.
- (y) The only third party having an interest in the Loans, Mortgages and other rights granted to or held for Kayl or KWL (as applicable) and being the subject of the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement (as applicable) is the Legal Title-Holder in its capacity as bare trustee of the legal title to the Loans and Mortgages held for Kayl or KWL (as applicable).
- (z) To the best of the Legal Title-Holder's knowledge, information and belief, no fraud, misrepresentation or concealment has been perpetrated in respect of a Loan by:
  - (i) any person who prepared a valuation of a Property; or
  - (ii) any solicitors who acted for the Legal Title-Holder or the Originator in relation to any Loan; or
  - (iii) any insurance broker or agent in relation to any Insurance Policy; or
  - (iv) any Borrower of any Loan; or
  - (v) any other party within the knowledge of the Legal Title-Holder,
 which would result in any monies owed by any of the Borrowers not being or being unlikely to be repaid in full under the terms of any of the Loans.
- (aa) No Loan is currently repayable in a currency other than sterling and the currency of the repayments cannot be changed by the Borrower to a currency other than sterling.
- (bb) No Legal Title-Holder has excluded, restricted or waived or agreed to waive any of its rights against any valuer, solicitor or other professional who has provided information, carried out work or given advice in connection with any Loan and the related Mortgage.

- (cc) Except in any case where the related Property is covered by a valid policy of insurance in respect of title (howsoever described) to the Property (a “**Title Insurance Policy**”) issued by the Title Insurance Provider, prior to making each Loan to a Borrower, the Originator instructed or required to be instructed on its behalf solicitors or licensed or qualified conveyancers to carry out in relation to the relevant Property all investigations, searches and other actions that would have been undertaken by a Prudent Mortgage Lender when advancing money in an amount equal to such advance to an individual to be secured on a property of the kind permitted under the Lending Criteria and a report on title was received by or on behalf of it from such solicitors or licensed or qualified conveyancers which either initially or after further investigation revealed no material matter which would cause a Prudent Mortgage Lender to decline such Loan having regard to the Lending Criteria.
- (dd) Prior to making each Loan, the relevant Property was valued by an independent valuer from the panel of valuers from time to time approved by the Legal Title-Holder.
- (ee) The Legal Title-Holder took all reasonable steps to ensure that at the date of completion of each Mortgage the relevant Property was insured under a policy with an insurance company against fire and other commercial risks for an amount not less than the full reinstatement value determined by a valuer approved by the Legal Title-Holder or the Originator and the relevant Legal Title-Holder or the Originator became either the sole or a joint insured or its interest was noted by the insurers or, in the case of leasehold property, is covered by a landlord’s buildings insurance policy, with, where possible, the interests of the Legal Title-Holder and the Borrower endorsed or deemed noted thereon, in each case with a reputable insurance company agreed to by the Originator against all risks usually covered by a Prudent Mortgage Lender when advancing money on the security of the property of the same nature to at or around the time the related Loan was completed and the Legal Title-Holder has not received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy.
- (ff) Other than with respect to Buy-to-Let Loans, in relation to each Mortgage relating to a Loan, any person who at the date when the Loan was made had attained the age of 18 and who has been identified by the Borrower of such Loan as residing or about to reside in the relevant Property is either named as a joint Borrower or has signed a form of consent declaring that he or she will assert no right to any overriding or other interest by occupation adverse to the mortgagee’s rights under the relevant Mortgage, or the Legal Title-Holder holds insurance in respect thereof.
- (gg) At the date of origination:
  - (i) as far as the Originator was aware the terms of, and the origination steps taken in respect of, all Loans complied with applicable laws and regulations (including without limitation all requirements of the CCA, UCTA and UTCCR or CRA) that were necessary to ensure that the relevant Loans and Mortgages were enforceable and the relevant Borrower was obliged to pay interest and repay principal on the dates specified in the relevant Loans, subject to any reservations or matter disclosed generally as regards non-compliance with any laws and regulations contained within the Legal Opinions; and
  - (ii) the Legal Title-Holder and the Originator had all necessary consents, authorisations, approvals, licences and orders including without limitation all necessary licences under the CCA and FSMA to originate the Loans.
- (hh) Each Title Insurance Policy referred to in paragraph (cc) above is in full force and effect and all premiums thereon due on or before the date this warranty is given have been paid in full, the Legal Title-Holder is not aware of any circumstances giving the Title Insurance Provider the right to avoid or terminate such policy and there is no claim outstanding under such Title Insurance Policy in relation to any Property.

- (ii) No Loan is subject to a Retention at the date of the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement.
- (jj) In relation to any Loan which is the subject of a Regulated Mortgage Contract, as far as the relevant Seller is aware, all requirements of MCOB have been complied with in all material respects in connection with the origination, documentation and administration of such Loan (as applicable).
- (kk) Neither the Originator nor the relevant Seller:
  - (i) is aware of any material breach by the Borrower under any Loan or related Collateral Security which would have a material adverse effect on such Loan or Collateral Security and no steps have been taken by the Originator to enforce any Collateral Security as a result of such breach; or
  - (ii) has received notice of the bankruptcy, sequestration or death of any Borrower.
- (ll) All the title deeds, the deeds constituting the Mortgage and the correspondence file (such as it exists) and microfiche or electronically stored data relating to each of the Loans are held by or to the order of the relevant Seller or have been lodged by, or on behalf of, the Legal Title-Holder at the Land Registry.
- (mm) All the Loans in respect of Properties are governed by English law.
- (nn) The Legal Title-Holder has not given express written consent to the grant of a tenancy by a Borrower in circumstances where no Prudent Mortgage Lender at the time such consent was given would give such consent.
- (oo) Each Borrower is a natural person and was aged 21 years or, if the Lending Criteria so required, 25 years or older at the date that he or she executed the relevant Mortgage.
- (pp) Each Property is a residential property.
- (qq) No material legal proceedings by Borrowers are outstanding against the relevant Seller or the Legal Title-Holders which would call into question their beneficial or legal title to the Loans.
- (rr) In relation to any leasehold Property, (i) in any case where the Legal Title-Holder has received written notice from the relevant landlord that it is or may be taking steps to forfeit or irritate the lease of that Property, the Legal Title-Holder has taken such steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security and Loan and (ii) any requisite consent of the landlord to, or notice of, the creation of the Mortgage has been obtained or given (as applicable).
- (ss) Each Property is located in England or Wales.
- (tt) The first payment due was paid by the relevant Borrower in respect of each Loan within one month of the due date, other than the four Loans set out in Appendix C of the KWL Issuer Mortgage Sale Agreement.
- (uu) No agreement for any Loan is or includes a consumer credit agreement (as defined in section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than sections 137 to 140 of such Act) or any modification or re-enactment thereof or, to the extent that it is so regulated or partly regulated, all the requirements of the Consumer Credit Act 1974 have been met in full.
- (vv) The proposed limitations or exclusions of the liability of the Originator contained in the loan agreement relating to each Loan are fair and reasonable having regard to the circumstances of the particular Borrower for the purposes of the Unfair Contract Terms Act 1977 and are not “unfair terms” within the meaning of UTCCR or, as applicable, the CRA.
- (ww) To the extent that any loan agreement relating to a Loan was entered into after 1 July 1995 between the Originator and a “consumer” and such loan agreement was not “individually negotiated” with such

consumer (as such terms are defined in the UTCCR), none of the terms contained in such loan agreements are unfair terms within the meaning of the UTCCR or, as applicable, the CRA; no injunction or interdict has been granted by the court pursuant to regulation 8 of the UTCCR which might prevent or restrict the use in a loan agreement of any particular term or the enforcement of any such term; and in carrying out the procedures for enabling Borrowers to enter into loan agreements, the Originator complied with the UTCCR and, in particular, ensured that each Borrower had a real opportunity to read and understand the terms of the relevant loan agreement before the conclusion of the loan agreement.

- (xx) No Collateral Security comprises or includes (or comprises or includes an interest in) stock or marketable securities (within the meaning of section 122 of Stamp Act 1891); chargeable securities (within the meaning of section 99 of the Finance Act 1986) or a chargeable interest (within the meaning of section 48 of Finance Act 2003).
- (yy) The Loans and the Mortgage Rights (i) constitute financial assets in accordance with generally accepted accounting practice, as amended and applied by the Tax Regulations; and (ii) are not shares.

#### **Product Switch Effective Date**

Each of the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement also contain representations and warranties given by the Legal Title-Holder and the relevant Seller, in relation to each Product Switch Loan to be retained within the Mortgage Portfolio following the relevant Product Switch Effective Date on the relevant Product Switch Effective Date.

If there is an unremedied or unremediable breach of any of these representations and warranties which could have a material adverse effect on the value of any Loan and its Collateral Security (other than where such breach was disclosed at the point of sale to the Issuer), then the relevant Seller is required to repurchase, or procure the repurchase by one of its affiliates of, the relevant Loan and its Collateral Security for a consideration in cash equal to the Repurchase Price or at the option of the relevant Seller, substitute an alternative mortgage loan of an appropriate value in replacement of the Loan where the breach applies. Performance of the obligation to repurchase will be in satisfaction of all liabilities of the Legal Title-Holder and the relevant Seller in respect thereof.

The representations and warranties referred to in relation to Product Switch Loans will include, *inter alia*, statements to the following effect:

- (a) Each Loan and its related Mortgage is non-cancellable and constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms (except that: (a) enforceability may be limited by (i) bankruptcy or insolvency of the Borrower or other laws relating to enforcement of general applicability affecting the enforcement rights of creditors generally and the court's discretion in relation to equitable remedies (or, in limited circumstances, if the Borrower purchased the property from a bankrupt vendor); (ii) the application of the UTCCR, the CRA or the CCA (if the CCA is deemed to apply to the Loans); or (iii) fraud; and (b) no warranty is given in relation to any obligation of the Borrower to pay early repayment charges or charges payable in the event of Borrower default) and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower (other than in relation to any repayment charges where repayment takes place following the early repayment charge period) provided that nothing in this paragraph (a) constitutes a representation or a warranty as to the sufficiency of such Property as security for indebtedness secured on it.
- (b) Subject to completion of any registration which may be pending at the Land Registry, each Mortgage relating to a Loan constitutes a first legal mortgage over the relevant Property.
- (c) In relation to each Mortgage relating to a Loan which is not the subject of a Title Insurance Policy:



- (i) if the Property is not registered the Borrower has a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property or other good freehold state (if freehold) or a term of years absolute (if leasehold) free (save for the Mortgage) from any encumbrance which would affect such title; and
  - (ii) if the Property is registered it has been or is in the course of registration with title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property or possessory title in the case of freehold or leasehold title where (in accordance with the relevant Lending Criteria) such possessory title has been taken into account by the value in the valuation of the Property.
- (d) Each Loan and its related Mortgage:
  - (i) has been materially made on the terms of the Standard Documentation referred to in Annexure B of the Kayl/Issuer Mortgage Sale Agreement or Annexure B of the KWL/Issuer Mortgage Sale Agreement (so far as applicable); and
  - (ii) has not been varied amended, modified and no waiver or extension has been granted which would impair the enforceability or collectability of all or a material part of such Loan since the date of completion of such Loan other than an amendment to reflect a Product Switch made in accordance with the Transaction Documents.
- (e) Interest on each Loan is charged on such Loan in accordance with the provisions of that Loan and its related Mortgage.
- (f) Each Loan is either a LIBOR Standard Mortgage or a Fixed Rate Mortgage.
- (g) Neither the relevant Seller nor the Legal Title-Holder has received written notice of any litigation or claim calling into question in any material way its title to any Loan and its related Mortgage or their ability to fully, effectively and promptly enforce the same.
- (h) In respect of any Property which is subject to a second ranking or subsequent mortgage, the Mortgage has first priority for the full amount of the Loan and all costs, fees and expenses relative thereto.
- (i) Each Title Insurance Policy in relation to the relevant Loan is in full force and effect and all premiums thereon due on or before the date this warranty is given have been paid in full and the Legal Title-Holder is not aware of any circumstances giving the Title Insurance Provider the right to avoid or terminate such policy and there is no claim outstanding under such Title Insurance Policy in relation to the Properties.
- (j) In relation to any Loan which is the subject of a Regulated Mortgage Contract, as far as the relevant Seller is aware, all requirements of MCOB have been complied with in all material respects in connection with the origination, documentation and administration of such Loan (as applicable).
- (k) Neither the Originator nor the relevant Seller:
  - (i) is aware of any material breach by the Borrower under any Loan or related Collateral Security which would have a material adverse effect on such Loan or Collateral Security and no steps have been taken by the Originator to enforce any Collateral Security as a result of such breach; or
  - (ii) has received notice of the bankruptcy, sequestration or death of any Borrower.
- (l) To the extent that any loan agreement relating to a Loan was entered into after 1 July 1995 between the Originator and a "consumer" and such loan agreement was not "individually negotiated" with such consumer (as such terms are defined in UTCCR), none of the terms contained in such loan agreements are unfair terms within the meaning of the UTCCR or, as applicable, the CRA; no injunction or interdict has been granted by the court pursuant to regulation 8 of the UTCCR or, as applicable, the

CRA which might prevent or restrict the use in a loan agreement of any particular term or the enforcement of any such term; and in carrying out the procedures for enabling Borrowers to enter into loan agreements, the Originator complied with the UTCCR and, in particular, ensured that each Borrower had a real opportunity to read and understand the terms of the relevant loan agreement before the conclusion of the loan agreement.

### **Product Switch Loans**

The Legal Title-Holder may offer a Borrower, or a Borrower may request, a Product Switch from time to time. Should a Product Switch be accepted by the Borrower, the Legal Title-Holder shall have the option to repurchase the Product Switch Loan from the Issuer on or prior to the Product Switch Effective Date. Alternatively if (i) an Asset Repurchase Trigger occurs in relation to a Product Switch Loan on the Product Switch Effective Date or (ii) a Liquidity Reserve Fund Trigger Event has occurred on or prior to the Product Switch Effective Date, then the Legal Title-Holder will be required to repurchase that Product Switch Loan from the Issuer on or prior to the Product Switch Effective Date. These Asset Repurchase Triggers are described in “*Administration, Servicing and Cash Management of the Mortgage Pool - The Mortgage Administration Agreement – Product Switches*” below.

Consideration payable by the Legal Title-Holder in respect of the repurchase of any relevant Product Switch Loans and their Collateral Security shall be a cash payment to the Issuer equal to the Repurchase Price.

### **Further Advance**

Borrowers may request further advances.

Should the Legal Title-Holder agree to pay any further advances made on a Loan on or after the Issue Date, this will result in the relevant Seller or, KMC (or an affiliate thereof), being required to repurchase such Loan (or procure the repurchase of such Loan) from the Issuer and make a cash payment to the Issuer as consideration therefor.

### **Shortfall Loans**

Should there be any Shortfall Loans in the Mortgage Pool, the relevant Seller shall have the right but not the obligation, to offer to repurchase such Shortfall Loan (or procure the repurchase of such Shortfall Loan) from the Issuer and make a cash payment to the Issuer equal to the Shortfall Loan Repurchase Amount.

### **Mechanism for substitution of Loans**

In relation to a Loan which is subject to a breach of Warranty, the Seller may transfer or assign to the Issuer, the Seller's whole right, title, interest and benefit in and to one or more residential mortgage loans with an aggregate value which is equal to or greater than the Repurchase Price, together with the related Mortgages and Mortgage Rights (the “**Substitute Loans**”). The Issuer shall execute and deliver a deed of re-assignment, discharge and release relating to the Loan and the related Mortgage and the relevant Mortgage Rights.

The Seller shall then complete (and, where applicable, procure the execution by the Legal Title-Holder), at its own cost, such documentation as is necessary to perfect a transfer or assignment of its interests in respect of any relevant Substitute Loan, the related first legal mortgage or charge of English Property which is security for the Substitute Loan and mortgage rights. The Seller shall reimburse the Issuer for the reasonable costs incurred by the Issuer in relation to such Substitution.

Any such substitution shall constitute a discharge and release in full of the Seller and the Legal Title-Holder (where applicable) from any claims which the Issuer may have against it arising from the breach of Warranty or any right of set-off in relation to that Loan, the related Mortgage and Mortgage Rights only and shall not affect any rights arising from a breach of any express provision of the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement, or any representation, warranty or undertaking or from any right of set-off in relation to any other Loan, the related Mortgage and Mortgage Rights.

### **Mortgage Pool Option**

The Issuer will, by the Deed Poll, grant to the Mortgage Pool Option Holder the option (the “**Mortgage Pool Option**”) to require the Issuer to (a) sell to the Mortgage Pool Option Holder (or a third party purchaser nominated by it) the beneficial title to all Loans and Related Security in the Mortgage Pool and (b) transfer to the Mortgage Pool Option Holder (or a third party purchaser nominated by it) the right to have the legal title to the Mortgage Pool and Related Security in the Mortgage Pool transferred to it. The Mortgage Pool Option Holder may at least 25 days prior to an Interest Payment Date deliver a notice to the Issuer (with a copy to the Trustee, the Mortgage Administrator and the Cash/Bond Administrator) that it intends to exercise the Mortgage Pool Option at any time on or after the Call Option Date (the “**Exercise Notice**”) which shall contain details of the proposed completion date for the exercise of the option (the “**Mortgage Pool Purchase Completion Date**”), which shall be the Business Day falling 5 Business Days prior to the next Interest Payment Date to occur after the delivery of the Exercise Notice, provided that, if the Exercise Notice is delivered within 25 days of the next Interest Payment Date, the Mortgage Pool Purchase Completion Date shall occur on the Business Day falling 5 Business Days prior to the second Interest Payment Date to occur after the date of Exercise Notice. Following receipt of the Exercise Notice, the Cash/Bond Administrator, on behalf of the Issuer, shall send to the Mortgage Pool Option Holder a notice signed by the Issuer specifying the Mortgage Pool Purchase Price (as defined below) (a “**Counter Notice**”). If the Mortgage Pool Option Holder agrees to the Mortgage Pool Purchase Price as set out in the Counter Notice, it will send an acceptance notice to the Issuer, the Trustee, the Cash/Bond Administrator and the Principal Paying Agent confirming that the purchase shall take place on the Mortgage Pool Purchase Completion Date.

The purchase price for the Mortgage Pool under the Mortgage Pool Option shall be an amount which, together with any amounts standing to the credit of the Transaction Account, the GIC Account and/or the General Reserve Fund and Liquidity Reserve Fund and/or any other cash held by or on behalf of the Issuer (other than any Swap Excluded Receivable Amounts), would be required to pay any amounts required under the relevant Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date, redeem all Notes then outstanding in full together with accrued and unpaid interest on such Notes and pay costs associated with the redemption, as calculated as at the Mortgage Pool Purchase Completion Date (the “**Mortgage Pool Purchase Price**”).

#### *Redemption of Notes and Cancellation of Certificates*

On the Interest Payment Date immediately following the Mortgage Pool Purchase Completion Date, the Notes will be redeemed in full and the Certificates will be cancelled.

## CREDIT STRUCTURE

The Notes and Certificates will not be obligations of the Account Bank, the Swap Collateral Account Bank, the Collection Accounts Provider, the Arranger, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Corporate Services Provider, the Trustee, the Swap Counterparty, the Mortgage Administrator, the Mortgage Administration Facilitator, the Legal Title-Holder, the Legal Title-Holder Facilitator, the Sellers, the Principal Paying Agent, the Manager, the GIC Provider, or anyone other than the Issuer and will not be guaranteed by any such party. None of the Swap Collateral Account Bank, the Account Bank, Collection Accounts Provider, the Arranger, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Corporate Services Provider, the Trustee, the Swap Counterparty, the Mortgage Administrator, the Mortgage Administration Facilitator, the Legal Title-Holder, the Legal Title-Holder Facilitator, the Seller, the Principal Paying Agent, the Manager, the GIC Provider, nor anyone other than the Issuer will accept any liability whatsoever in respect of any failure to pay any amount due under the Notes and Certificates.

As a condition to the issue of the Notes:

- the A Notes are expected to be rated Aaa by Moody's and AAA by Fitch;
- the B Notes are expected to be rated Aa1 by Moody's and AA by Fitch;
- the C Notes are expected to be rated A1 by Moody's and A by Fitch;
- the D Notes are expected to be rated Baa1 by Moody's and BBB by Fitch;
- the E Notes are expected to be rated Caa2 by Moody's; and
- the X Notes are expected to be rated Ca by Moody's and BB by Fitch.

None of the Z Notes or the Certificates will be rated.

The ratings assigned by the Rating Agencies address, *inter alia*:

- (a) in respect of the A Notes, the B Notes, the C Notes and the D Notes, the likelihood of full and timely payment of interest due to the holders of such A Notes, B Notes, C Notes and D Notes on each Interest Payment Date;
- (b) in respect of the E Notes and the X Notes, the likelihood of full and ultimate payment to the holders of the E Notes and the X Notes of all payments of interest on the Final Maturity Date; and
- (c) the likelihood of full payment of principal due to the holders of the Rated Notes by a date that is not later than the Final Maturity Date for the Rated Notes.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the other ratings, the market value and/or the liquidity of the Rated Notes.

The structure of the credit arrangements may be summarised as follows:

### **The Notes**

The Notes will be issued fully paid on the Issue Date and the proceeds will be used for the purposes described in the section entitled "*Use of Proceeds*".

### **Issue Price and Redemption of Notes**

On the Issue Date, the Issuer will issue:

- (a) the A Notes at an issue price of 100 per cent. of the principal amount of the A Notes;

- (b) the B Notes at an issue price of 100 per cent. of the principal amount of the B Notes;
- (c) the C Notes at an issue price of 100 per cent. of the principal amount of the C Notes;
- (d) the D Notes at an issue price of 100 per cent. of the principal amount of the D Notes;
- (e) the E Notes at an issue price of 100 per cent. of the principal amount of the E Notes;
- (f) the X Notes at an issue price of 99.30 per cent. of the principal amount of the X Notes; and
- (g) the Z Notes at an issue price of 100 per cent. of the principal amount of the Z Notes.

On the Issue Date, the Issuer will also issue the Certificates. The E Notes and the Z Notes will be fully retained by Kayl Holdco. The Certificates will be initially fully retained by the Sellers and their affiliates. Each of the Notes will be redeemed in accordance with Note Condition 5 (*Redemption*).

### **Receipts**

The Cash/Bond Administrator on behalf of the Issuer will calculate on each Determination Date the Available Revenue Funds of the Issuer for the previous Determination Period (as set out in the Cash/Bond Administration Agreement). The Cash/Bond Administrator will on the next Interest Payment Date apply such Available Revenue Funds on behalf of the Issuer to make payments of interest on the Notes as well as certain amounts under the Pre-Enforcement Revenue Priority of Payments (see Note Condition 2(c) (*Pre-Enforcement Revenue Priority of Payments*)).

### **Credit Support for the Notes Provided by “Available Revenue Funds”**

The interest rates payable by Borrowers in respect of the Loans vary in respect of different Borrowers and different types of Loans. It is anticipated that, on the Issue Date, the weighted average interest rate payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing and that no extraordinary expenses have been incurred by the Issuer, exceed the amounts payable under items (i) to (xix) inclusive of the Pre-Enforcement Revenue Priority of Payments by an amount, calculated as a percentage of the principal balance of the Mortgage Pool, which is approximately 0.93 per cent. The actual amount of the excess will vary during the life of the Notes; two of the key factors determining such variations are the level of delinquencies experienced and the weighted average interest rate in each case on the Mortgage Pool. Available Revenue Funds may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency.

To the extent that the amount of Available Revenue Funds standing to the credit of the Revenue Ledger on each Interest Payment Date exceeds the amount required to meet items (i) to (xiii) inclusive of the Pre-Enforcement Revenue Priority of Payments such funds are available to replenish the General Reserve Fund which is itself available to be drawn upon on any other Interest Payment Date upon which there exists a Shortfall.

### **The reserve funds**

In order to provide limited coverage for insufficient funds available (a) to provide, in respect of the General Reserve Fund for payment of items (i) to (xiii) of the Pre-Enforcement Revenue Priority of Payments (a “**Shortfall**”) the Issuer will establish the General Reserve Fund on the Issue Date and/or (b) to provide, in respect of the Liquidity Reserve Fund, for payment of the Senior Fees, the interest on the A Notes, and/or the interest on the B Notes (such shortfall arising from time to time, a “**Revenue Shortfall**”), the Issuer will establish the Liquidity Reserve Fund on the Issue Date (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes).

### **General Reserve Fund**

The General Reserve Fund will, on the Issue Date be maintained within the GIC Account and in the General Reserve Fund Ledger, be fully funded by the proceeds from the Z Notes in an amount equal to General Reserve Fund Required Amount .

The Issuer is required to maintain at all times a minimum balance standing to the credit of the General Reserve Fund. The “**General Reserve Fund Required Amount**” is:

- (a) on the Issue Date and on any Interest Payment Date, 2.0 per cent. of the Principal Amount Outstanding of the aggregate of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes as at the Issue Date, being £7,040,000; and
- (b) following redemption in full of the A Notes to D Notes (inclusive), zero.

The General Reserve Fund Ledger will, from time to time, be credited in accordance with the Pre-Enforcement Revenue Priority of Payments.

Amounts standing to the credit of the General Reserve Fund Ledger in excess of the General Reserve Fund Required Amount (the “**General Reserve Fund Excess Amounts**”) will be released as Available Revenue Funds.

The General Reserve Fund shall be maintained and, when applicable, increased until such time as the D Notes are redeemed in full. Following redemption in full of the D Notes, any remaining balance in the General Reserve Fund will form part of Available Revenue Funds and will be applied in accordance with the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments (as applicable).

The General Reserve Fund will be applied as set out in “*Application of the General Reserve Fund and the Liquidity Reserve Fund – Shortfall and Revenue Shortfall*” below.

### **Liquidity Reserve Fund**

On the Issue Date, the Issuer will establish the Liquidity Reserve Fund and the amount required, from time to time, to be standing to the credit of the Liquidity Reserve Fund Ledger within the GIC Account shall be an amount equal to Liquidity Reserve Fund Required Amount.

On and after the occurrence of the Liquidity Reserve Fund Trigger Event, the Available Principal Funds are available in accordance with the Pre-Enforcement Principal Priority of Payments to replenish the Liquidity Reserve Fund which is itself available to be drawn upon on any other Interest Payment Date upon which there exists a Revenue Shortfall.

The “**Liquidity Reserve Fund Required Amount**” shall be calculated as follows:

- (a) on the Issue Date, the Liquidity Reserve Fund Required Amount will be zero; and
- (b) on any Interest Payment Date, on which the amount standing to the credit of the General Reserve Fund as at such Interest Payment Date (after application of the Available Revenue Funds) is less than 1.5 per cent. of the aggregate Principal Amount Outstanding of the A Notes to E Notes (inclusive) on such Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments (the “**Liquidity Reserve Fund Trigger Event**”), the Liquidity Reserve Fund Required Amount will be 2.0 per cent. of the aggregate Principal Amount Outstanding of the A Notes and B Notes on that Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments; and
- (c) after the Liquidity Reserve Fund Trigger Event, on any subsequent Interest Payment Date, the Liquidity Reserve Fund Required Amount will be 2.0 per cent. of the aggregate Principal Amount Outstanding of the A Notes and B Notes on that Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments.

The Liquidity Reserve Fund Ledger will, from time to time, be credited in accordance with the Pre-Enforcement Principal Priority of Payments.

If, on any Interest Payment Date, any surplus released from the Liquidity Reserve Fund Ledger over and above the Liquidity Reserve Fund Required Amount (the “**Liquidity Reserve Fund Excess Amounts**”) will be applied as and form part of Available Principal Funds.

### **Application of the General Reserve Fund and the Liquidity Reserve Fund – Shortfall and Revenue Shortfall**

If the Cash/Bond Administrator determines on the immediately preceding Determination Date that there will be a Shortfall or Revenue Shortfall, the Cash/Bond Administrator may (as set out in the Cash/Bond Administration Agreement), on any Interest Payment Date, apply any amounts standing to the credit of the General Reserve Fund and the Liquidity Reserve Fund towards a Shortfall or a Revenue Shortfall as follows:

- (a) where there is a Shortfall, the Issuer shall first pay or provide for that Shortfall by the application of the General Reserve Fund.
- (b) thereafter if there remains a Revenue Shortfall, the Issuer shall pay or provide for that Revenue Shortfall by the application of the Liquidity Reserve Fund.

On each Determination Date, if following application of items (a), (b), (c), (d), (e), (f) and (g) of the Available Revenue Funds, there remains a shortfall in any of items (i), (ii), (iii), (iv), (v), (vi), (viii), (x) and (xii) of the Pre-Enforcement Revenue Priority of Payments, the Cash/Bond Administrator shall apply item (h) of the Available Revenue Funds as follows:

- (a) for any such shortfall in any of items (i), (ii), (iii), (iv), (v) and (vi) of the Pre-Enforcement Revenue Priority of Payments, the Cash/Bond Administrator shall make up such shortfall by way of booking a Principal Deficiency. See the section of this Prospectus entitled “*Credit Structure – Principal Deficiency Ledger*”;
- (b) for any such shortfall in any of items (viii), (x) and (xii) of the Pre-Enforcement Revenue Priority of Payments, subject to the relevant PDL Condition, the Cash/Bond Administrator shall make up such shortfall by way of booking a Principal Deficiency. See the section of this Prospectus entitled “*Credit Structure – Principal Deficiency Ledger*”;
- (c) where “PDL Condition” means for each Interest Payment Date (i) unless the B Notes are the Most Senior Class, in respect of interest on the B Notes, the debit balance of the B Principal Deficiency Ledger not exceeding 10 per cent. of the Principal Amount Outstanding of the B Notes; (ii) unless the C Notes are the Most Senior Class, in respect of interest on the C Notes, the debit balance of the C Principal Deficiency Ledger not exceeding 10 per cent. of the Principal Amount Outstanding of the C Notes; (iii) unless the D Notes are the Most Senior Class, in respect of interest on the D Notes, the debit balance of the D Principal Deficiency Ledger not exceeding 10 per cent. of the Principal Amount Outstanding of the D Notes; and

for the avoidance of doubt, item (h) of the Available Revenue Funds may be available only upon application of the Pre-Enforcement Principal Priority of Payments.

### **The Notes**

Each Class of Notes will be constituted by the Trust Deed and will share the same security, although upon enforcement the A Notes will rank in priority to the B Notes, which will rank in priority to the C Notes, which will rank in priority to the D Notes, which will rank in priority to the E Notes, which will rank in priority to the X Notes, which will rank in priority to the Z Notes, which will rank in priority to the Certificates, and:

- (a) prior to (i) the service of an Enforcement Notice, or (ii) the occurrence of a Redemption Event:

- (i) the A Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the B Notes, the C Notes, the D Notes, the E Notes and the Certificates as to payment of principal;
- (ii) the B Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the C Notes, the D Notes, the E Notes and the Certificates as to payment of principal;
- (iii) the C Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the D Notes, the E Notes and the Certificates as to payment of principal;
- (iv) the D Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the E Notes and the Certificates as to payment of principal; and
- (v) the E Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the Certificates as to payment of principal; and
- (vi) subject as provided below, the Certificates will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank after the A Notes, the B Notes, the C Notes, the D Notes and the E Notes.

No repayments of principal will be made on the Z Notes until the A Notes to the D Notes (inclusive) have been repaid in full.

Prior to (i) the service of an Enforcement Notice, or (ii) the occurrence of a Redemption Event, payments in respect of the X Notes and the Z Notes shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments to the extent there are residual Available Revenue Funds.

Each Certificate represents a *pro rata* entitlement to receive any residual balance following payment of all senior items in the relevant Priority of Payments by way of deferred consideration for the purchase by the Issuer of the Completion Mortgage Pool.

Payments in respect of the Certificates shall only be payable (i) out of residual Available Revenue Funds and (ii) out of residual Available Principal Funds; and

- (b) following (i) the service of an Enforcement Notice, or (ii) the occurrence of a Redemption Event:
  - (i) the A Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the B Notes, the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates as to payment of principal;
  - (ii) the B Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates as to payment of principal;



- (iii) the C Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates as to payment of principal;
- (iv) the D Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the E Notes, the X Notes, the Z Notes and the Certificates as to payment of principal;
- (v) the E Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the X Notes, the Z Notes and the Certificates as to payment of principal;
- (vi) the X Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the Z Notes and the Certificates as to payment of principal;
- (vii) the Z Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Note Condition 2 (*Status, Security and Administration*) and Note Condition 5 (*Redemption*) below, the Certificates as to payment of principal; and
- (viii) subject as provided below, the Certificates will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank after the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the X Notes and the Z Notes.

Payments in respect of the X Notes, the Z Notes and the Certificates will only be payable to the extent there are residual funds under the relevant Priority of Payments.

No repayments of principal will be made on the Z Notes until the A Notes to the D Notes (inclusive) have been repaid in full.

Interest on the Notes will be payable in arrear as provided in Note Condition 4 (*Interest*).

The proceeds of the Z Notes will be used to fund the General Reserve Fund in an amount equal to the General Reserve Fund Required Amount and the proceeds of the X Notes will be used, among other things, to fund Issuer Costs and Expenses. An amount equal to £1,200,000 shall be credited on the Issue Date to the Start-Up Costs Ledger for the payment by the Issuer of such Issuer Costs and Expenses. Any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date shall constitute Available Revenue Funds and be applied in accordance with the applicable Priority of Payments.

### **Principal Deficiency Ledger**

A Principal Deficiency Ledger comprising 5 sub-ledgers, being the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger and the E Principal Deficiency Ledger respectively, will be established in order to record Losses on the Mortgage Pool and/or the utilisation of principal receipts to pay a Revenue Shortfall in respect of a Revenue Shortfall on the B Notes, subject to the relevant PDL Condition and, subject to the relevant PDL Condition, also to pay interest amounts on the C Notes and the D Notes and also any drawing under the Liquidity Reserve Fund to fund a Revenue Shortfall.

Any losses on the Mortgage Pool, the amount of any Available Principal Funds used to fund a Revenue Shortfall in respect of a Revenue Shortfall on the B Notes, subject to the relevant PDL Condition or, subject to

the relevant PDL Condition, a shortfall in respect of interest on the C Notes and the D Notes or any drawing under the Liquidity Reserve Fund to fund a Revenue Shortfall shall firstly be debited from the E Principal Deficiency Ledger (such debit items being recredited at item (xv) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the E Notes, and shall then be debited from the D Principal Deficiency Ledger (such debit items being recredited at item (xiii) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the D Notes, and shall then be debited from the C Principal Deficiency Ledger (such debit items being recredited at item (xi) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the C Notes, and shall then be debited from the B Principal Deficiency Ledger (such debit items being recredited at item (ix) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the B Notes, and shall then be debited from the A Principal Deficiency Ledger (such debit items being recredited at item (vii) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the A Notes.

### **Collection Account, Bank Accounts and Authorised Investments**

#### ***Collection Account***

Prior to the Delegate Mortgage Administrator Migration Date and unless otherwise agreed in writing by the Issuer and the Trustee, payments by Borrowers in respect of amounts due under the Loans will be made in the majority of cases by direct debits, into an account in the name of KMC (the “**Collection Account (Initial)**”) at the Collection Accounts Provider pursuant to the Collection Account (Initial) Agreement. No payments from Borrowers with mortgage loans from the Legal Title-Holder which are not Loans in the Mortgage Pool should be paid into the Collection Account (Initial). The Legal Title-Holder will declare a trust over the Collection Account (Initial) (the “**Collection Account (Initial) Declaration of Trust**”) in favour of the Issuer.

The Collection Accounts Provider shall be entitled at any time to deduct from the Collection Account (Initial) any amounts to satisfy any of their obligations and/or liabilities properly incurred under the direct debiting scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to Borrowers under the Mortgage Pool, or to pay amounts due or owing to the Collection Accounts Provider under the terms of the Collection Account (Initial) Agreement.

#### **Main Collection Account**

Following the Delegate Mortgage Administrator Migration Date and unless otherwise agreed in writing by the Issuer and the Trustee, payments by Borrowers in respect of amounts due under the Loans will be made in the majority of cases by direct debits, into an account in the name of KMC (the “**Main Collection Account**”) at the Collection Accounts Provider pursuant to the Main Collection Account Agreement. Following the Delegate Mortgage Administrator Migration Date payments by Borrowers by standing orders and DWP payments will also be made by Borrowers direct into the Main Collection Account. No payments from Borrowers with mortgage loans from the Legal Title-Holder which are not Loans in the Mortgage Pool should be paid into the Main Collection Account. The Legal Title-Holder will declare a trust over the Main Collection Account (the “**Main Collection Account Declaration of Trust**”) in favour of the Issuer.

Following the Delegate Mortgage Administrator Migration Date, the Collection Accounts Provider shall be entitled at any time to deduct from the Collection Accounts any amounts to satisfy any of their obligations and/or liabilities properly incurred under the direct debiting scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to the Borrowers under the Mortgage Pool.

### **F Collection Account**

Following the Delegate Mortgage Administrator Migration Date, if a Borrower makes a payment in respect of amounts due under the Loans by cash or cheque then those amounts will be paid by the Borrower into an additional collection account in the name of KMC (the “**F Collection Account**”) at the Collection Accounts Provider pursuant to the F Collection Account Agreement. Following the Delegate Mortgage Administrator Migration Date cash or cheque payments from Borrowers with mortgage loans from the Legal Title-Holder which are not Loans in the Mortgage Pool will also be paid into the F Collection Account. On 17 December 2015 the Legal Title-Holder declared a trust over the F Collection Account (the “**F Collection Account Declaration of Trust**”) in favour of the relevant beneficiaries of the amounts deposited in the F Collection Account. On or about the Issue Date the Issuer will enter into the F Collection Account Supplemental Deed of Declaration of Trust and will be the beneficiary in respect of the Loans in the Mortgage Pool. The F Collection Account Declaration of Trust is therefore in respect of a number of beneficiaries, being the relevant beneficial owners of the relevant mortgage loans to which the amounts deposited in the F Collection Account relate.

Cleared funds credited to the F Collection Account that are derived from mortgage loans beneficially owned by the Issuer are transferred to the Main Collection Account on the Business Day on which the payment is cleared.

### **R Collection Account**

Following the Delegate Mortgage Administrator Migration Date, if a Borrower makes a payment in respect of amounts due under the Loans by debit card then those amounts will be paid by the Borrower into an additional collection account in the name of KMC (the “**R Collection Account**”) at the Collection Accounts Provider pursuant to the R Collection Account Agreement. Following the Delegate Mortgage Administrator Migration Date, debit card payments from Borrowers with mortgage loans from the Legal Title-Holder which are not Loans in the Mortgage Pool will also be paid into the R Collection Account. On 17 December 2015 the Legal Title-Holder declared a trust over the R Collection Account (the “**R Collection Account Declaration of Trust**”) in favour of the relevant beneficiaries of the amounts deposited in the R Collection Account. On or about the Issue Date the Issuer will enter into the R Collection Account Supplemental Deed of Declaration of Trust and will be the beneficiary in respect of the Loans in the Mortgage Pool. The R Collection Account Declaration of Trust is therefore in respect of a number of beneficiaries, being the relevant beneficial owners of the relevant mortgage loans to which the amounts deposited in the R Collection Account relate.

Cleared funds credited to the R Collection Account that are derived from mortgage loans beneficially owned by the Issuer are transferred to the Main Collection Account on the Business Day following the date of receipt.

### **Bank Agreement**

All amounts received from Borrowers will:

- (a) prior to the Delegate Mortgage Administrator Migration Date be credited initially to the Collection Account (Initial); and
- (b) following the Delegate Mortgage Administrator Migration Date be credited initially to:
  - (i) the Main Collection Account;
  - (ii) the F Collection Account and transferred to the Main Collection Account; or
  - (iii) the R Collection Account and transferred to the Main Collection Account,

and will be transferred from the Main Collection Account to the Transaction Account and then to the GIC Account on the Business Day following the date of receipt.

On or prior to each Interest Payment Date, amounts will be transferred by the GIC Provider at the instruction of the Cash/Bond Administrator from the GIC Account to the Transaction Account, as required, to be applied in accordance with the relevant Priority of Payments.

The GIC Provider will contract, on the terms set out in the Bank Agreement to pay a rate of interest agreed from time to time with the Issuer (or the Cash/Bond Administrator on its behalf) on the funds on deposit in the GIC Account.

### ***Transaction Account***

The Issuer will open with the Account Bank the Transaction Account, which will be used as the Issuer's operational account in respect of the Mortgage Pool and from which the Issuer will make payments in accordance with the applicable Priority of Payments.

### ***Authorised Investments***

Funds of the Issuer will be deposited into the GIC Account and the Transaction Account, and if in the opinion of the Cash/Bond Administrator the rate of interest earned is likely to exceed the rate of interest paid on the GIC Account or the Transaction Account, the Issuer will be entitled to invest, and the Cash/Bond Administrator will invest on behalf of the Issuer in accordance with applicable laws and regulations all, or some, of such funds standing to the credit of the GIC Account or the Transaction Account in Authorised Investments (as set out in the Cash/Bond Administration Agreement).

### **The Swap Agreement**

#### *Interest Rate Risk for the Notes*

The Fixed Rate Mortgages in the Mortgage Pool pay a fixed rate of interest for a period of time. However, the interest rate payable by the Issuer with respect to the Floating Rate Notes is an amount calculated by reference to GBP LIBOR.

To attempt to provide a hedge against the possible variance between:

- (a) the fixed rates of interest payable on the Fixed Rate Mortgages in the Mortgage Pool; and
- (b) a rate of interest calculated by reference to GBP LIBOR payable on the Floating Rate Notes,

the Issuer will enter into the Interest Rate Swap with the Swap Counterparty on or around the Issue Date.

The Interest Rate Swap will be governed by the Swap Agreement.

#### *Swap Agreement*

Under the Interest Rate Swap, for each Interest Period (other than the first Interest Period) falling prior to the termination date of the Interest Rate Swap, the following amounts will be calculated:

- (a) the amount produced by applying a rate equal to three-month GBP LIBOR (or in respect of the final Interest Period, the linear interpolation of the relevant GBP LIBOR rates) for the relevant Interest Period to the applicable notional amount of the Interest Rate Swap and multiplying the resulting amount by the applicable day count fraction specified in the Swap Agreement (the "**Interest Period Swap Counterparty Amount**"); and
- (b) the amount produced by applying 0.8295 per cent. to applicable notional amount of the Interest Rate Swap and multiplying the resulting amount by the applicable day count fraction specified in the Swap Agreement (the "**Interest Period Issuer Amount**").

After these two amounts are calculated in relation to an Interest Period, the following payments will be made on the relevant Interest Payment Date:

- (a) if the Interest Period Swap Counterparty Amount for that Interest Payment Date is greater than the Interest Period Issuer Amount for that Interest Payment Date, then the Swap Counterparty will pay the difference to the Issuer;
- (b) if the Interest Period Issuer Amount is greater than the Interest Period Swap Counterparty Amount for that Interest Payment Date, then the Issuer will pay the difference to the Swap Counterparty; and
- (c) if the two amounts are equal, neither party will make a payment to the other.

If a payment is to be made by the Swap Counterparty, that payment will be included in the Available Revenue Funds and will be applied on or about the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

The Effective Date (as defined in the Interest Rate Swap) of the Interest Rate Swap is 16 August 2016. Therefore, the initial Interest Period in respect of the Floating Rate Notes is not hedged by the Interest Rate Swap. The Termination Date of the Interest Rate Swap is the Relevant Period End Date falling immediately after the earliest of:

- (a) the Final Maturity Date in respect of the Notes;
- (b) the date on which the Notes have been redeemed in full in accordance with Note Condition 5(b) (*Mandatory Redemption of the Notes*) or with the prior written consent of the Swap Counterparty; and
- (c) the date on which the notional amount as set out in the fixed amortisation schedule contained in the Swap Agreement is reduced to zero.

For the purposes of calculating the Interest Period Swap Counterparty Amount and the Interest Period Issuer Amount for each Interest Period, the notional amount of the Interest Rate Swap will reflect a fixed amortisation schedule as set out in the table below:

**Fixed Rate Payer Calculation**  
**Period/Floating Rate**  
**Payer Calculation Period**

<b>Start</b>	<b>End</b>	<b>Notional Amount (£)</b>
16-Aug-16	16-Nov-16	339,525,322
16-Nov-16	16-Feb-17	335,044,070
16-Feb-17	16-May-17	330,653,996
16-May-17	16-Aug-17	329,734,030
16-Aug-17	16-Nov-17	302,999,598
16-Nov-17	16-Feb-18	176,238,649
16-Feb-18	16-May-18	78,870,852
16-May-18	16-Aug-18	77,128,651
16-Aug-18	16-Nov-18	72,138,271
16-Nov-18	16-Feb-19	53,171,761
16-Feb-19	16-May-19	41,808,631

16-May-19	16-Aug-19	41,547,157
16-Aug-19	16-Nov-19	41,283,153
16-Nov-19	16-Feb-20	41,016,593
16-Feb-20	16-May-20	3,027,340
16-May-20	16-Aug-20	2,423,804
16-Aug-20	16-Nov-20	1,861,664
16-Nov-20	16-Feb-21	1,727,807
16-Feb-21	16-May-21	0

### *Overview of the Swap Agreement*

Under the terms of the Swap Agreement, in the event that the relevant rating(s) of the Swap Counterparty (or its guarantor, if applicable) assigned by a Rating Agency is or are below the Swap Counterparty Required Ratings, the Swap Counterparty will, in accordance with the Swap Agreement, be required to take certain remedial measures within the timeframe stipulated in the Swap Agreement and at its own cost which may include providing Swap Collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the Swap Counterparty Required Ratings, procuring another entity with the Swap Counterparty Required Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement or taking such other action (or inaction) that would result in the rating of the Rated Notes being maintained at, or restored to, the level it would have been at prior to such lower rating being assigned by the relevant Rating Agency.

To the extent required to be provided as set out above, Swap Collateral will be provided under a Credit Support Annex to the Schedule to the Swap Agreement and may take the form of cash in various currencies or eligible securities. The Swap Counterparty will be responsible for determining (in accordance with stipulated parameters) the amount of Swap Collateral which is required to be transferred. Any Swap Collateral provided will be transferred by the Swap Counterparty to the Swap Collateral Account Bank. The Swap Counterparty may from time to time be required to transfer additional Swap Collateral, or may be entitled to require a transfer of equivalent Swap Collateral to it (provided that the Issuer will not be a net transferor of Swap Collateral). In certain circumstances of termination of the Swap Agreement, the value of Swap Collateral then held by the Swap Collateral Account Bank will be taken into account in determining the respective obligations of the parties to the Swap Agreement as described below. Swap Collateral will not form part of Available Revenue Funds.

The Swap Agreement may be terminated in certain circumstances, including, but not limited to, the following, each as more specifically defined in the Swap Agreement (an “**Early Termination Event**”):

- (a) if there is a failure by a party to pay amounts due under the Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if a breach of a provision of the Swap Agreement by the Swap Counterparty is not remedied within the applicable grace period;
- (d) if a change of law results in the obligations of one of the parties becoming illegal;
- (e) if the Swap Counterparty is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement (as described above);

- (f) service by the Trustee of an Enforcement Notice on the Issuer pursuant to Condition 9 (*Events of Default*) of the Notes;
- (g) if any Transaction Document, the Notes Conditions or the Certificates Conditions is modified or supplemented without the prior written consent of the Swap Counterparty and the Swap Counterparty determines, acting in a commercially reasonable manner, that such modification affects or would affect any of the following:
  - (i) the Swap Counterparty's rights in relation to any security (howsoever described, and including as a result of changing the nature or the scope of, or releasing such security) granted by the Issuer in favour of the Trustee on behalf of the Secured Creditors;
  - (ii) the definitions of Final Maturity Date, Available Revenue Funds, Swap Collateral Account, Swap Cash Collateral Account, the Swap Cash-Linked Collateral Account, Swap Securities Collateral Account, Swap Excluded Payable Amounts or Swap Excluded Receivable Amounts;
  - (iii) the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;
  - (iv) the provisions in the Transaction Documents or the Note Conditions setting out the method of calculation of amounts payable under the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;
  - (v) any amendment to Condition 5 (*Redemption*) of the Note Conditions or any additional redemption rights in respect of the Notes; or
  - (vi) Clause 20.1.2 (*Modification*) of the Trust Deed;
- (h) if, on substitution of the Issuer for taxation reasons pursuant to Condition 5(e) (*Optional Termination for Taxation or Other Reasons*), the Swap Counterparty determines, acting in a commercially reasonable manner, that such substitution would, or there is a reasonable likelihood that it would, adversely affect the Swap Counterparty or any of its rights under any Transaction Document; and
- (i) if an irrevocable notice is given by or on behalf of the Issuer that redemption of all the Notes will occur pursuant to Note Condition 5(d) (*Optional Redemption in Full*) or Note Condition 5(e) (*Optional Redemption for Taxation or Other Reasons*) or any other reason (other than in accordance with Note Condition 5(a) (*Final Redemption of the Notes*) or Note Condition 5(b) (*Mandatory Redemption of the Notes*) or with the prior written consent of the Swap Counterparty).

Upon an early termination of the Interest Rate Swap, depending on the type of Early Termination Event (as defined in the Swap Agreement) and circumstances prevailing at the time of termination, the Issuer or the Swap Counterparty may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment will be based on the market value of the terminated swap as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination, taking account of any Swap Collateral transferred by the Swap Counterparty to the Issuer.

Depending on the terms of the Interest Rate Swap and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders and Certificateholders.

The Swap Counterparty may, subject to certain conditions specified in the Swap Agreement including (without limitation) the satisfaction of certain requirements of the Rating Agencies, transfer its obligations under the Swap Agreement to another entity with the Swap Counterparty Required Ratings.

The Issuer is not obliged, under the Swap Agreement, to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under the Interest Rate Swap.

The Swap Counterparty will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for, or on account of, tax is imposed on payments made by it under the Interest Rate Swap (other than in respect of any FATCA withholdings). However, if the Swap Counterparty is required to gross up a payment under the Interest Rate Swap due to a change in the law, the Swap Counterparty may terminate the Interest Rate Swap.

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



## **ADMINISTRATION, SERVICING AND CASH MANAGEMENT OF THE MORTGAGE POOL**

### **Mortgage Administration Agreement**

The Mortgage Administrator is required to administer the Mortgage Pool on behalf of the Issuer under the Mortgage Administration Agreement (see “*The Legal Title-Holder*” and “*The Mortgage Administrator, the Cash/Bond Administrator – Kensington Mortgage Company Limited*”). The duties of the Mortgage Administrator include, *inter alia*:

- (a) maintaining the Loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the terms of the applicable Mortgage, and sending each Borrower an account statement as required by Applicable Law;
- (b) collecting the scheduled monthly payments due on the Loans. Payments due on the majority of the Loans are settled by direct debit. The Mortgage Administrator is, therefore, required to present to the relevant bank the direct debit instruction approximately five days before the relevant payment date;
- (c) notifying Borrowers of changes in their scheduled monthly payments;
- (d) notifying the Legal Title-Holder in the event that the Mortgage Administrator becomes aware that a Borrower's building policy has lapsed;
- (e) taking action required in connection with the enforcement of a Loan;
- (f) with respect to the warranties given by Kayl and the Legal Title-Holder as set out in Part 1 of Schedule 1 to the Kayl/Issuer Mortgage Sale Agreement, the Mortgage Administrator shall comply with its obligations pursuant to clause 7.3.2 of the Kayl/Issuer Mortgage Sale Agreement;
- (g) with respect to the warranties given by KWL and the Legal Title-Holder as set out in Part 1 of Schedule 1 to the KWL/Issuer Mortgage Sale Agreement, the Mortgage Administrator shall comply with its obligations pursuant to clause 7.3.2 of the KWL/Issuer Mortgage Sale Agreement;
- (h) following the occurrence of a Perfection Event, implementing, at the Issuer's expense, instructions issued by the Trustee in order to perfect or vest legal title in and to the Loans in the Issuer;
- (i) arranging all lender insurance that an experienced lender, servicer or administrator of residential mortgage loans made to borrowers in England and Wales would consider prudent in the circumstances to obtain;
- (j) dealing with the administrative aspects of redemption of a Loan. This includes arranging for the release of the deeds relating to the relevant Property together with the deed of release (or, as applicable, a discharge) of the Mortgage to the relevant Borrower upon receipt of amounts required to pay the Loan; and
- (k) dealing with enquiries and requests from Borrowers. These may include (but are not limited to) providing a credit reference from the lender, consenting to a transfer from joint Borrowers to a single Borrower (for example, upon a divorce), approving a tenancy agreement where a Borrower wishes temporarily to let the Property and providing details of the current outstanding balance.

On the Issue Date, the Mortgage Administrator will delegate its responsibilities and obligations as Mortgage Administrator to HML as delegate mortgage administrator pursuant to the HML Mortgage Administration Delegation Agreement. Amongst other provisions, the HML Mortgage Administration Delegation Agreement will provide that the Mortgage Administrator may terminate HML's appointment as delegate mortgage servicer and appoint Acenden as delegate mortgage administrator pursuant to the Acenden Mortgage Administration Delegation Agreement.

Other than with respect to the appointment of Acenden under the Acenden Mortgage Administration Delegation Agreement where no notification or approval is required, provided prior notification has been given to the Issuer, the Trustee and the Rating Agencies, the Mortgage Administrator is permitted to sub contract or delegate its obligations under the Mortgage Administration Agreement subject to various conditions including that a Rating Agency Confirmation is obtained.

The Mortgage Administrator will be obliged under the Mortgage Administration Agreement to act upon the instructions of the Legal Title-Holder in relation to certain aspects of the administration of the Loans and the Mortgages. The Legal Title-Holder shall exercise such discretion as is vested in it for the purpose of administering the Mortgage Pool as would be exercised by a Prudent Mortgage Lender.

The Mortgage Administrator is entitled to the Monthly Servicing Fee for the performance by it of the Services under the Mortgage Administration Agreement, payable monthly (subject to the proviso below and to the relevant Priority of Payments) of an amount, exclusive of value added tax, equal to the product of up to 0.25 per cent. multiplied by the aggregate Current Balance of the Loans as at the start of the month divided by 12.

The Mortgage Administrator may increase its fee if it incurs increased costs as a result of a Change. The Mortgage Administrator must notify the Issuer in writing of any increase of its fee and any such increased fee shall not exceed 0.50 per cent. multiplied by the aggregate Current Balance of the Loans as at the start of the month divided by 12.

In addition, the Issuer shall pay the Mortgage Administrator's various, properly incurred sundry fees.

The appointment of KMC as Mortgage Administrator may be terminated by the Issuer (with the consent of the Trustee) or, following delivery of an Enforcement Notice, the Trustee by written notice to the Mortgage Administrator on the occurrence of certain events of default, including non-performance of its obligations under the Mortgage Administration Agreement or if insolvency or similar events occur in relation to the Mortgage Administrator (each a "**Mortgage Administrator Termination Event**") or if an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Mortgage Administrator is materially prejudicial to the interests of the parties to the Mortgage Administration Agreement. The Mortgage Administrator may agree to continue to provide the duties under the Mortgage Administration Agreement for up to an additional three months after service of notice of termination.

If a Mortgage Administrator Termination Event, occurs the Issuer (with the consent of the Trustee) or, following delivery of an Enforcement Notice, the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administration Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administration Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of its selection (the "**Proposed Replacement Mortgage Administrator**") to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Mortgage Administrator, the Issuer shall appoint the Proposed Replacement Mortgage Administrator as Mortgage Administrator on substantially the same terms as set out in the Mortgage Administration Agreement, **provided however** that any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is obtained.

The appointment of the Mortgage Administrator may also be terminated upon the expiry of not less than six months' notice of termination given in writing by the Mortgage Administrator to the parties to the Mortgage Administration Agreement, provided that inter alia the Trustee and the Issuer consent in writing to such termination, a substitute administrator shall be appointed no later than the date of termination of the Mortgage Administrator and on substantially the same terms as the relevant terms of the Mortgage Administration Agreement, and the Trustee and the Issuer provide written approval of the substitute administrator.

### ***Legal Title-Holder***

The Legal Title-Holder is required to perform certain duties (the “**Legal Title-Holder Duties**”) pursuant to the Mortgage Administration Agreement including, inter alia:

- (l) varying any service specification relating to the settlement and administration of the Loans, the Mortgages and the other relevant Assigned Rights by the Mortgage Administrator, on behalf of the Issuer and in doing so the Legal Title-Holder must act in a manner consistent with that of a Prudent Mortgage Lender;
- (m) varying the basis on which consents or approvals are given to Borrowers from time to time in accordance with the relevant Mortgage Conditions;
- (n) varying the Enforcement Procedures applicable to Loans that are in arrears from time to time in accordance with the practice of a Prudent Mortgage Lender and instructing the Mortgage Administrator to undertake certain discretionary elements of the Enforcement Procedures as the Legal Title-Holder deems is appropriate;
- (o) directing the Mortgage Administrator to release one or more of joint Borrowers from any liability under a Loan and all related security provided that the Legal Title-Holder acts in accordance with the practice of a Prudent Mortgage Lender and the Legal Title-Holder may direct the Mortgage Administrator on the date of such release of any such joint Borrowers to permit a substitute Borrower or Borrowers to take the place and assume the obligations of the released Borrower or Borrowers (again provided such actions are in accordance with the practice of a Prudent Mortgage Lender); and
- (p) determining whether any changes of interest rates applicable to Loans should be made in accordance with the Mortgage Administration Agreement.

Under the Mortgage Administration Agreement, the Issuer will grant the Legal Title-Holder full right, liberty and authority from time to time to determine and set the rate or rates of interest applicable to the Loans in accordance with the terms of such Loans.

The Legal Title-Holder is entitled to the Quarterly Servicing Fee for the performance by it of the Legal Title-Holder Duties under the Mortgage Administration Agreement paying on each Interest Payment Date (subject to and in accordance with the Priority of Payments) of (1) an amount, exclusive of value added tax, equal to the product of up to 0.05 per cent. and the average aggregate current Balance of each of the Loans in the Mortgage Pool on the first day of each calendar month or if such day is not a Business Day, the following Business Day during the Interest Period immediately preceding the relevant Interest Payment Date divided by four in respect of each full Interest Period (or, as applicable, pro rata in respect of any different period) and (2) various sundry fees.

The Issuer (with the consent of the Trustee) or, following delivery of an Enforcement Notice, the Trustee may give written notice to the Legal Title-Holder that its appointment will terminate upon the appointment of a Proposed Replacement Legal Title-Holder on the happening of certain events of default, including non-performance of its obligations under the Mortgage Administration Agreement or if insolvency or similar events occur in relation to the Legal Title-Holder or if an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Legal Title-Holder is materially prejudicial to the interests of the parties to the Mortgage Administration Agreement.

If a Legal Title-Holder Termination Event occurs the Issuer (with the consent of the Trustee) or, following delivery of an Enforcement Notice, the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Legal Title-Holder Facilitator of such occurrence and request it to identify and select a replacement legal title-holder. Upon being so notified, the Legal Title-Holder Facilitator shall use reasonable endeavours to identify and select a replacement legal title-holder within 30 calendar days of the occurrence of the applicable Legal Title-Holder Termination Event and provide details of the Proposed Replacement Legal Title-Holder to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement Legal Title-Holder, the Issuer shall appoint the Proposed Replacement Legal Title-

Holder as Legal Title-Holder on substantially the same terms as set out herein, **provided however** that any such appointment shall be subject to the prior written consent of the Trustee and to the condition that a Rating Agency Confirmation is obtained.

The Legal Title-Holder may transfer legal title in the Loans to a duly authorised third party or substitute entity at its discretion subject to receipt by the Issuer of a Rating Agency Confirmation. In the event of such a transfer the Legal Title-Holder shall procure that any Proposed Replacement Legal Title-Holder agrees to perform the obligations of the Legal Title-Holder set out in the Mortgage Administration Agreement. Within 10 Business Days of the appointment of a Proposed Replacement Legal Title-Holder under the Mortgage Administration Agreement the Proposed Replacement Legal Title-Holder shall notify the Borrowers in writing of its appointment.

### ***Product Switches***

The Legal Title-Holder may offer a Borrower, or a Borrower may request, a Product Switch from time to time. Should a Product Switch be accepted by the Borrower, the Legal Title-Holder shall have the option to repurchase the Product Switch Loan from the Issuer on or prior to the Product Switch Effective Date. The Legal Title-Holder shall determine the terms of the Product Switch and the manner in which the Product Switch is offered and agreed and the Legal Title-Holder shall communicate the Product Switch Offer to the relevant Borrower. Upon a Borrower accepting a Product Switch Offer from the Legal Title-Holder the relevant Loan shall become a Product Switch Loan and the Product Switch with respect to that Loan will occur on the Product Switch Effective Date.

The Legal Title-Holder shall have the option of voluntarily repurchasing any Product Switch Loan from the Issuer at any time on or prior to the Product Switch Effective Date in accordance with the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement, as applicable.

The Legal Title-Holder will be required to repurchase any Product Switch Loan from the Issuer at any time on or prior to the Product Switch Effective Date in accordance with the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement, as applicable, if with respect to that Product Switch Loan on the Product Switch Effective Date:

- (a) the Balance of that Product Switch Loan will increase as a result of the Product Switch;
- (b) there has been a previous Product Switch since the Issue Date in relation to that Loan;
- (c) it is in one or more months in Arrears or it has been one or more months in Arrears at any time since the origination of that Product Switch Loan
- (d) from the Product Switch Effective Date the Loan will have a current interest rate which is less than the fixed rate payable under the Swap Agreement for the new fixed rate or LIBOR (set quarterly in accordance with the terms and conditions of that Loan) plus 2.25 per cent.;
- (e) the reversionary interest rate for the Loan will be less than the aggregate of 3.50 per cent. per annum plus LIBOR, set quarterly in accordance with the terms and conditions of that Loan;
- (f) its inclusion in the Mortgage Pool following the Product Switch will cause the sum of the Balance of all Product Switch Loans within the Mortgage Pool as at their respective Product Switch Effective Dates to exceed an amount equal to 20 per cent. of the Balance of the Mortgage Pool at the date on which the Completion Mortgage Pool is confirmed;
- (g) its inclusion in the Mortgage Pool will cause the Forecast Adjusted Fixed Rate Mortgage Principal Amount for any subsequent Interest Payment Date (calculated as at the Product Switch Effective Date) to exceed the notional amount under the Swap Agreement for that or any subsequent Interest Payment Date by more than 5 per cent.;

- (h) the remaining term of that Loan following the Product Switch will fall after the date falling two years prior to the Final Maturity Date; or
- (i) if the period from origination of the Loan to rate reversion was 3 years or less and as a result of the Product Switch the period from the Product Switch Effective Date to rate reversion of that Loan is longer than 3 years,

(together the “**Asset Repurchase Triggers**”).

The criteria set out in paragraphs (a) to (i) above may be amended by agreement amongst the Issuer and the Legal Title-Holder provided that (i) a Rating Agency Confirmation has been obtained and (ii) the amendment has been approved by an Ordinary Resolution of the Most Senior Class.

Further the Legal Title-Holder will be required to repurchase a Product Switch Loan from the Issuer at any time on or prior to the Product Switch Effective Date in accordance with the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement, as applicable, if a Liquidity Reserve Fund Trigger Event has occurred on or prior to the Product Switch Effective Date.

### **Cash/Bond Administration Agreement**

For the purpose of the administration of the Mortgage Pool, the Cash/Bond Administrator will be authorised to operate the Bank Accounts, the Swap Collateral Accounts and the Collection Accounts for the purpose of the Cash/Bond Administration Agreement. The duties of the Cash/Bond Administrator include, *inter alia*:

- (a) making the required ledger entries and calculations in respect of such ledger entries;
- (b) maintaining and/or replenishing the General Reserve Fund and the Liquidity Reserve Fund on behalf of the Issuer in accordance with the relevant Pre-Enforcement Priority of Payments;
- (c) distributing the Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments, the Available Principal Funds in accordance with the relevant Pre-Enforcement Principal Priority of Payments and, following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, distributing available funds in accordance with the Post-Enforcement Priority of Payments and making arrangements for the payment by the Issuer of interest and principal in respect of the Notes subject to the terms thereof and to the availability of funds; and
- (d) establish (to the extent not already established) one or more Swap Collateral Accounts with the Swap Collateral Account Bank under the Swap Collateral Bank Account Agreement, and credit all swap collateral to the Swap Collateral Account.

If for whatever reason, an incorrect payment is made to any party entitled thereto (including the Noteholders of any Class) pursuant to the Pre-Enforcement Revenue Priority of Payments and/or the Pre-Enforcement Principal Priority of Payments, the Cash/Bond Administrator will rectify the same by increasing or reducing payments to such party (including the Noteholders of any Class), as appropriate, on each subsequent Interest Payment Date or Interest Payment Dates (if applicable) to the extent required to correct the same. Where such an adjustment is required to be made, the Cash/Bond Administrator will notify Noteholders of the same in accordance with the terms of Note Condition 14 (*Notice to Noteholders*). Neither the Issuer nor the Cash/Bond Administrator will have any liability to any person for making any such correction.

The Cash/Bond Administrator is entitled to charge a fee for its services under the Cash/Bond Administration Agreement, payable on each Interest Payment Date as provided for in the Pre-Enforcement Revenue Priority of Payments and the Post-Enforcement Priority of Payments.

The appointment of the Cash/Bond Administrator may be terminated by the Issuer (with the consent of the Trustee) upon the happening of certain events of default or if insolvency or similar events occur in relation to

the Cash/Bond Administrator or if, following the giving of an Enforcement Notice in relation to the Notes, the Trustee is entitled to dispose of the assets comprised in the Security. Following any such termination, Wells Fargo Bank International as the Standby Cash/Bond Administrator shall assume the functions of the Cash/Bond Administrator.

Under the Cash/Bond Administration Agreement, to the extent that the Legal Title-Holder is required to pay any amount to a Borrower under the terms of the Transaction Documents or by operation of law or at the request of any regulatory authority as a result of holding the legal title to the relevant Loan, such requirement to pay shall be the obligation of the Issuer and not the Legal Title-Holder, and the Issuer shall ensure that such obligation is satisfied, and such payment may be made by the Issuer on any Business Day, whether or not an Interest Payment Date.

Under the Cash/Bond Administration Agreement, the Issuer covenants to the Trustee (for itself and on trust for the Noteholders and the other Secured Creditors) that it shall comply with the obligations imposed upon it by CRA3.

### **Enforcement Procedures**

The Legal Title-Holder has established the Enforcement Procedures, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. These same procedures as from time to time varied in accordance with the practice of a Prudent Mortgage Lender as dictated by the Legal Title-Holder will continue to be applied in respect of arrears arising on the Mortgages. In this context, the non-discretionary elements of the Enforcement Procedures will be operated by the Mortgage Administrator whereas the majority of the discretionary elements will remain with the Legal Title-Holder, who may appoint the Mortgage Administrator to undertake certain of these elements.

### **Insurance Contracts**

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

At the time of completion, the relevant Property must have been insured by the Borrower under an insurance policy to an amount not less than the full reinstatement value determined at or around the time the related Loan was made. Where the Borrower has allowed his or her insurance policy to lapse, and where the Legal Title-Holder is not aware of that lapse, the Legal Title-Holder and the beneficial owner of the relevant Loan will have the benefit of a Contingency Policy. Where the Legal Title-Holder becomes aware that the Borrower has allowed his or her insurance policy to lapse, the Legal Title-Holder has the right to arrange LIO or block cover in respect of any relevant Property at the expense of the Borrower.

### **Arrears and Default Procedures**

Set out below is a description of the current arrears and default procedures applied by the Legal Title-Holder and the Mortgage Administrator. These procedures may be changed by the Mortgage Administrator and the Legal Title-Holder in accordance with the Mortgage Administration Agreement (including following the Delegate Mortgage Administrator Migration Date) and the standards of a Prudent Mortgage Lender and/or as required by applicable law and regulation.

The Mortgage Administrator collects all payments due under or in connection with the Loans in accordance with its administration procedures in force from time to time, but having regard to the circumstances of the relevant Borrower in each case and with repossession seen as a last resort.

The Mortgage Administrator identifies a Loan as being "in arrears" when, on any date which is one or more days past the relevant due date, the amount is equal to or greater than one contractual monthly instalment or, following the Delegate Mortgage Administrator Migration Date, £100.

The arrears are monitored daily and reported at each calendar month end. Contact is made with the Borrower from the point a Loan is identified as being in arrears (i.e. the first day past the relevant due date) and the Mortgage Administrator will continue to contact the Borrower asking for payment of the arrears. The

Mortgage Administrator classifies a Loan that is in arrears as a "non-performing mortgage loan" if the relevant Borrower has not made any payment within any period of three consecutive calendar months.

In seeking to control and manage arrears, the Mortgage Administrator from time to time enters into arrangements with Borrowers regarding the arrears, including:

- arrangements to make each payment as it falls due plus an additional amount to pay the arrears over a period of time; and/or
- arrangements to pay only a portion of each payment as it falls due.

Such arrangements will be based on individual customer circumstances and for varying time limits.

In some instances, based on the customer's individual circumstances, it may be appropriate to consider a contract variation, such as temporary payment type conversion, arrears capitalisation, term extension or, following the Delegate Mortgage Administrator Migration Date, interest deferral. Generally, a contract variation will be agreed in conjunction with a payment strategy.

Where an assessment of a customer's circumstances has determined that none of the repayment strategies or contract variations offered to the Mortgage Administrator are suitable, affordable and/or sustainable for that customer, the Mortgage Administrator will consider a range of mortgage exit options including assisted voluntary sales.

Legal proceedings do not usually commence until the arrears are overdue for a period of more than 90 days. However, in many cases legal proceedings may commence later than this. Once legal proceedings have commenced, the Mortgage Administrator may still enter into an arrangement with a Borrower at any time prior to a court hearing, or it may request an adjournment of a court hearing. If the Mortgage Administrator (on behalf of the Legal Title-Holder) applies to the court for an order for possession following a default of the Borrower, the court has discretion as to whether it will grant the order requiring the Borrower to vacate the mortgaged property, and discretion as to the terms upon which the order is granted. If, after the possession order has been granted, the Borrower does not voluntarily vacate the property, then the Mortgage Administrator will be required to request a warrant for execution by a court officer of the possession order. On average over ten monthly payments may have been missed prior to the Mortgage Administrator obtaining possession, assuming no prior mortgage or the imposition of defences. Where a court order for possession is deferred to allow time for payment and the Borrower subsequently defaults in making the payment, the Mortgage Administrator may take any action it considers appropriate, including entering into an arrangement with the Borrower.

For Buy-to-Let Loans the Mortgage Administrator may also appoint a receiver to the relevant property on behalf of the Legal Title-Holder. Such a receiver may grant leases to tenants in respect of empty properties, collect rents and where appropriate recommend sale of the property.

In all cases, the Mortgage Administrator has a duty of care to the Borrower to act reasonably and fairly.

The Mortgage Administrator has discretion to deviate from these arrears procedures. In particular, the Mortgage Administrator may deviate from these procedures where a Borrower suffers from a mental or physical infirmity, is deceased or where the Borrower is otherwise prevented from making payment due to causes beyond the Borrower's control. This is the case for both sole and joint Borrowers.

After the Legal Title-Holder has obtained possession, the Mortgage Administrator (on its behalf) may take any action it considers appropriate, subject to any fiduciary duties which the Legal Title-Holder may owe to the Borrower, including but not limited to:

- instructing panel solicitors to complete all conveyancing activities in relation to the sale of the property;
- instructing a panel asset manager and appointing an appropriate local estate agent to market and sell the property by private treaty wherever possible;

- ensuring that the repossessed property is secured;
- obtaining at least two Royal Institution of Chartered Surveyors and estate agent valuations, alongside local area information, such as demographics, unique selling points, previous marketing history and local comparables, which are all used to set the correct marketing price in order to sell the property for the best possible price in the shortest possible time period;
- reviewing marketing and considering price reductions every 30 days. This includes viewings, feedback, online click rates and any other relevant information. Auctions are only considered as a last resort or in the event of severe property defects; and
- carrying out property inspections.

All offers outside of asking price are referred to the Mortgage Administrator and reviewed on an individual basis, with full justification documented for either acceptance or decline. All properties unsold over 90 days are subject to monthly aged stock reviews, where individual strategies are agreed on for each property. When an offer is accepted a public notice is run both online and in local print media inviting higher offers. Full exchange checks of all costs incurred throughout the sale process are verified against the tariff and approval process before authority is given to exchange. This is replicated at completion to ensure that no further costs have been incurred.

Subject as provided above, the Mortgage Administrator (on behalf of the mortgagee) has discretion as to the timing of any of these actions, including whether to postpone the action for any period of time. The period between the Mortgage Administrator (on behalf of the mortgagee) obtaining possession and sale of a mortgaged property is generally between three and six months.

The Mortgage Administrator subjects all panel solicitors and asset managers to third party oversight. This includes but is not limited to, monthly and quarterly performance scorecards, quarterly review meetings, full annual audits and regular site visits/audits.

However, prospective investors should note that the Mortgage Administrator's ability to exercise its power of sale in respect of a mortgaged property is dependent upon mandatory legal restrictions as to notice requirements. In addition, there may be factors outside the Mortgage Administrator's control, such as whether the Borrower contests the sale and the market conditions at the time of sale, that may affect the length of time between the Mortgage Administrator's decision (on behalf of the mortgagee) to exercise the power of sale and final completion of the sale.

The Mortgage Administrator will apply the net proceeds of sale of the mortgaged property against the sums owed by the Borrower to the extent necessary to discharge the mortgage including any accumulated fees and interest. Where the funds arising from application of these procedures are insufficient to pay all amounts owing in respect of a Loan, the funds are first in paying costs (other than interest), secondly, in paying principal and third in paying interest.

At this point the Mortgage Administrator will close the Borrower's account. However, the Borrower remains liable for any deficit remaining after the mortgaged property is sold. The Mortgage Administrator may pursue the Borrower to the extent of any deficiency resulting from the sale, or may write off the balance, if the Mortgage Administrator deems it appropriate to do so. Following the application of the net proceeds of the sale, the relevant Seller may repurchase the Loan as a Shortfall Loan from the Issuer. See *“Sale of the Mortgage Pool – Shortfall Loans.”*

These arrears and security enforcement procedures may change over time as a result, amongst other things, of a change in the Mortgage Administrator's business practices, a change in the identity of the Mortgage Administrator or a change in any relevant business codes of practice or any legislative or regulatory changes.



## WEIGHTED AVERAGE LIVES OF THE NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of redemption of the Loans.

The model used in this Prospectus for the Loans represents an assumed constant per annum rate of prepayment (“**CPR**”) each month relative to the then outstanding principal balance of a pool of mortgage loans. CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the expected rate of prepayment of any mortgage loans, including the Mortgages to be included in the Completion Mortgage Pool.

The following tables were prepared based on the characteristics of the Loans to be included in the Mortgage Pool and the following additional assumptions (the “**Modelling Assumptions**”):

- (a) there are no arrears or enforcements;
- (b) no Loan is sold by the Issuer;
- (c) no Principal Deficiency arises;
- (d) no Loan is required to be repurchased by the relevant Seller, KMC or any of its affiliates due to any warranty breach;
- (e) the portfolio mix of loan characteristics remain the same throughout the life of the Notes and 100 per cent. of the Mortgage Pool is purchased at the Issue Date;
- (f) the interest payment as well as the principal payment for each Loan is calculated on a loan-by-loan basis assuming each Loan amortises monthly (meaning the amortisation of each Loan is determined by the loan specific (i) remaining term, (ii) principal outstanding and (iii) margin plus base index);
- (g) the amortisation of any Repayment Loan is calculated as an annuity loan on a 30/360 basis, and the interest on any Loan is calculated on a 30/360 basis;
- (h) all Loans which are not Repayment Loans are assumed to be Interest Only Loans;
- (i) there are 118 days between the Issue Date and the first Interest Payment Date;
- (j) a LIBOR rate of 1 per cent.;
- (k) there is collateral of £354,257,803.91 and on the Issue Date the A Notes, the B Notes, the C Notes, the D Notes and the E Notes have an aggregate Principal Amount Outstanding of £354,257,803.91, with the A Notes representing 85 per cent., the B Notes representing 4.5 per cent., the C Notes representing 4.5 per cent., the D Notes representing 3 per cent. and the E Notes representing 3 per cent. of the collateral balance;
- (l) all Loans eventually revert to a floating interest rate;
- (m) no further advances are made on a Loan;
- (n) the Completion Mortgage Pool as at the beginning of the first collection period is the same as the Provisional Completion Mortgage Pool as at the Cut-Off Date;
- (o) payments on the Notes are made on the 16 day of February, May, August and November, if such day is not a Business Day, the next following Business Day;
- (p) no Product Switches are made on a Loan;

- (q) no amounts are paid pursuant to item (i) or (ii) of the Pre-Enforcement Principal Priority of Payments;  
and
- (r) Available Revenue Funds (excluding item (i)) are sufficient to pay in full items (i) to (xvi) (inclusive) of the Pre-Enforcement Revenue Priority of Payments.

The actual characteristics and performance of the Loans are likely to differ from the assumptions used in constructing the tables set forth below, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Loans will prepay at a constant rate until maturity, that all of the Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Loans. Moreover, the diverse remaining terms to maturity of the Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity of the Loans is assumed.

Any difference between such assumptions and the actual characteristics and performance of the Loans will cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage of CPR.

### Weighted Average Life in Years

The weighted average lives shown below were determined by (i) multiplying the net reduction, if any, of the Principal Amount Outstanding of each Class of Notes by the number of years from the date of issue of the Notes to the related Interest Payment Date, (ii) adding the results and (iii) dividing the sum by the aggregate of the net reductions of the Principal Amount Outstanding described in (i) above.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the Notes. The weighted average lives of the Rated Notes (other than the X Notes) have been calculated on a 30/360 basis.

#### Weighted Average Life in Years (assuming a call option is exercised on the Call Option Date)

Weighted Average Life	0.0% CPR	2.5% CPR	5.0% CPR	7.5% CPR	10.0% CPR	12.5% CPR	15.0% CPR	20.0% CPR	Pricing*
A Notes.....	2.96	2.84	2.72	2.61	2.50	2.39	2.28	2.07	2.50
B Notes.....	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07
C Notes.....	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07
D Notes.....	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07
E Notes.....	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07

#### Weighted Average Life in Years (with optional 10 per cent. call)

Weighted Average Life	0.0% CPR	2.5% CPR	5.0% CPR	7.5% CPR	10.0% CPR	12.5% CPR	15.0% CPR	20.0% CPR	Pricing*
A Notes.....	14.27	10.56	8.06	6.36	5.17	4.32	3.69	2.83	3.72
B Notes.....	25.10	23.39	20.07	17.24	14.61	12.57	10.85	8.42	10.45
C Notes.....	26.50	24.49	21.74	18.79	16.25	14.01	12.25	9.52	11.77
D Notes.....	26.58	24.57	21.82	18.82	16.32	14.07	12.32	9.58	11.82
E Notes.....	26.58	24.57	21.82	18.82	16.32	14.07	12.32	9.58	11.82

\* 5 per cent. CPR for 18 months, followed by 25 per cent. CPR for two years, followed by 15 per cent. thereafter.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

The Global Notes contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

### **1 Form**

All Notes will be issued in fully registered form and will be represented, on issue, by the Global Notes.

**The Notes are not issuable in bearer form.**

### **2 Nominal Amount**

The nominal amount of the Global Notes shall be the aggregate amount from time to time entered in the records of Euroclear, Clearstream, Luxembourg or any alternative clearing system approved by the Trustee (each a relevant “**Clearing System**”).

The Notes will be issued in the form of new global notes and are intended upon issue to be deposited with a common safekeeper on behalf of one of the ICSDs. On 6 September 2012 the Governing Council of the European Central Bank announced that sterling denominated debt instruments issued and held in the euro area will be eligible collateral from 9 November 2012 until further notice. As such and subject to their inclusion on the European Central Bank’s eligible assets list, the Global Notes and the Certificates are expected to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem as at the Issue Date. Note that this does not necessarily mean, and no assurance is given by the Issuer or the Joint Lead Managers, that, should the Global Notes and the Certificates be recognised as eligible collateral, they will remain recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem during their entire life. Such recognition may cease upon the European Central Bank modifying the Eurosystem eligibility criteria.

The Global Notes will be issued and held under the new safekeeping structure and are intended upon issue to be deposited with, and registered in the nominee name of, a common safekeeper on behalf of one of the ICSDs.

The records of such relevant Clearing System shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time. The Trustee will not 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.

### **3 Issuance of Definitive Notes**

Holders of Book-Entry Interests in the Global Notes will be entitled to receive certificates evidencing definitive notes in registered form (“**Definitive Notes**”) in exchange for their respective holdings of Book-Entry Interests if:

- (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or of any political sub-division therein or thereof having power to tax or in the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying

Agent is or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Notes which would not be required were the Notes in definitive form.

In order to receive a Definitive Note a person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Notes.

Any Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Notes issued in exchange for Book-Entry Interests in a Global Note, as the case may be, will not be entitled to exchange such Definitive Note, for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under Note Condition 1(b) (*Title and Transfer*) provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Notes will not be issued in a denomination that is not an integral multiple of the Minimum Denomination or for any amount in excess thereof, in integral multiples of £1,000. As the Notes have a denomination consisting of the Minimum Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of £100,000 (or its equivalent) that are not integral multiples of £100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

#### 4 **Payments**

Payments of principal and interest in respect of Notes represented by the Global Note will be made to its holder. The Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant Clearing System and, in the case of payments of principal, the nominal amount of the Notes will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Safekeeper or its nominees in respect of those Book-Entry Interests.

For the purpose of any payments made in respect of a Global Note, Note Condition 6(d) (*Payments on business days*) shall not apply, and all such payments shall be made on a day which is a business day (as defined in Note Condition 6(d) (*Payments on business days*)).

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

Book-Entry Interests in respect of Global Notes will be recorded in denominations of £100,000 and, for so long as the rules of Euroclear or Clearstream, Luxembourg so permit integral multiples of £1,000 in excess thereof (a "**Minimum Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-

entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants).

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date, Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The record date, in respect of the Notes shall be one Clearing System Business Day prior to the relevant Interest Payment Date where "**Clearing System Business Day**" means a day on which each clearing system for which the Notes are being held is open for business. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee of the Common Safekeeper, as applicable, is the registered holder of the respective Global Notes underlying the Book-Entry Interests, the nominee of the Common Safekeeper will be considered the sole Noteholder of the relevant Global Note for all purposes under the Trust Deed and the Agency Agreement. Except as set forth under "*Issuance of Definitive Notes*" above, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in Respect of the Global Note and the Book-Entry Interests*" below.

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

Unless and until Book-Entry Interests in the Global Notes are exchanged for Definitive Notes, the Global Notes registered in the name of a nominee of the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the respective Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each respective Global Note, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

## **6 Transfer**

Transfers of interests in the Notes are subject to certain restrictions and must be made in accordance with the procedures set forth in the Trust Deed. Each purchaser of Notes in making its purchase will be required to make, or will be deemed to have made, certain acknowledgements, representations and agreements. The transfer of Notes in breach of certain of such representations and agreements will result in affected Notes becoming subject to certain forced transfer provisions. See Note Condition 1(b) (*Title and transfer*).

## **7 Action in Respect of the Global Note and the Book-Entry Interests**

Not later than 10 days after receipt by the Issuer of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear and Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*Book-Entry Interests*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

## **8 Trading between Clearing System participants**

Secondary market sales of Book-Entry Interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of Book-Entry Interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

## **9 Notices**

So long as the Notes are in global form and held on behalf of a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

## **10 Prescription**

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate relevant date (as defined in Note Condition 10 (*Prescription*)).

## **11 Meetings**

Subject to the provisions of the Trust Deed, the holder of the Global Note shall be treated as a Noteholder for the purposes of constituting a quorum for the purposes of meeting the quorum requirements of a meeting of Noteholders.

## **12 Purchase and Cancellation**

On cancellation of any Note required by the Conditions to be cancelled following its purchase, the Issuer shall procure that details of such cancellation shall be entered *pro rata* in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so cancelled.

## **13 Trustee's Powers**

In considering the interests of Noteholders while the Global Note is held on behalf of a relevant Clearing System, the Trustee may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holder of the Global Note.

## **SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM**

The Global Certificates contain provisions which apply to the Certificates while they are in global form, some of which modify the effect of the terms and conditions of the Certificates set out in this Prospectus. The following is a summary of certain of those provisions:

### **1 Form**

All Certificates will be issued in fully registered form and will be represented, on issue, by the Global Certificates.

The Certificates are not issuable in bearer form.

### **2 Amount**

Each Certificate bears a right to receive a Residual Payment.

The amount of the Global Certificates shall be the aggregate amount from time to time entered in the records of Euroclear, Clearstream, Luxembourg or any alternative clearing system approved by the Trustee (each a relevant "**Clearing System**").

The Certificates are intended upon issue to be deposited with, and registered in the nominee name of, a common depository.

The records of such relevant Clearing System shall be conclusive evidence of the amount of Certificates represented by the Global Certificates and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time. The Trustee will not 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.

### **3 Issuance of Definitive Certificates**

Holders of Book-Entry Interests in the Global Certificates will be entitled to receive certificates evidencing definitive certificates in registered form ("**Definitive Certificates**") in exchange for their respective holdings of Book-Entry Interests if:

(a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; 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 therein or thereof having power to tax or in the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Certificates which would not be required were the Certificates in definitive form.

In order to receive a Definitive Certificate a person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificates.

Any Definitive Certificates issued in exchange for Book-Entry Interests in a Global Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Certificates issued in exchange for



Book-Entry Interests in a Global Certificate, as the case may be, will not be entitled to exchange such Definitive Certificate, for Book-Entry Interests in a Global Certificate. Any Certificates issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under Condition 1(b) (*Title*) provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Certificate.

#### 4 **Payments**

Residual Payments in respect of Certificates represented by the Global Certificate will be made to its holder. The Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant Clearing System. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Depository or its nominees in respect of those Book-Entry Interests.

For the purpose of any payments made in respect of a Global Certificate, Certificates Condition 4(g) (*Payments on business days*) shall not apply, and all such payments shall be made on a day which is a business day (as defined in Certificates Condition 4(g) (*Payments on business days*)).

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

Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants).

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date, Euroclear and Clearstream, Luxembourg will determine the identity of the Certificateholders for the purposes of making payments to the Certificateholders. The record date, in respect of the Certificates shall be one Clearing System Business Day prior to the relevant Interest Payment Date where "**Clearing System Business Day**" means a day on which each clearing system for which the Certificates are being held is open for business. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee of the Common Depository, as applicable, is the registered holder of the respective Global Certificates underlying the Book-Entry Interests, the nominee of the Common Depository will be considered the sole Certificateholder of the relevant Global Certificate for all purposes under the Trust Deed and the Agency Agreement. Except as set forth under "Issuance of Definitive Certificates" above, Participants or Indirect Participants will not be entitled to have Certificates registered in their names, will not receive or be entitled to receive physical delivery of Certificates in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Certificates under the Trust Deed. See "Action in Respect of the Global Certificate and the Book-Entry Interests" below.

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

Unless and until Book-Entry Interests in the Global Certificates are exchanged for Definitive Certificates, the Global Certificates registered in the name of a nominee of the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

Purchasers of Book-Entry Interests in a Global Certificate will hold Book-Entry Interests in the respective Global Certificates relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Certificate directly through Euroclear or Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each respective Global Certificate, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

## **6 Transfer**

All transfers of Certificate Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section above entitled "*Book-Entry Interests*"). Beneficial interests in the Global Certificate may be held only through Euroclear or Clearstream, Luxembourg.

## **7 Action in respect of the Global Certificate and the Certificate Book-Entry Interests**

Not later than 10 days after receipt by the Issuer of any notice in respect of the Global Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Certificate, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such

information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Certificate Book-Entry Interests or the Global Certificate and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Certificate Book-Entry Interests or the Global Certificate in accordance with any instructions set out in such request. Euroclear and Clearstream, Luxembourg are expected to follow the procedures described under the section above entitled "*Book-Entry Interests*", with respect to soliciting instructions from their respective Participants.

## **8 Trading between Clearing System participants**

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of Book-Entry Interests in the Certificates held through Euroclear or Clearstream, Luxembourg to purchasers of Book-Entry Interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

## **9 Notices**

So long as the Certificates are in global form and held on behalf of a relevant Clearing System, notices to Certificateholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Certificates Conditions.

## **10 Meetings**

Subject to the provisions of the Trust Deed, the holder of the Global Certificate shall be treated as a Certificateholder for the purposes of constituting a quorum for the purposes of meeting the quorum requirements of a meeting of Certificateholders.

## **11 Purchase and Cancellation**

On cancellation of any Certificate required by the Conditions to be cancelled following its purchase, the Issuer shall procure that details of such cancellation shall be entered pro rata in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Certificates recorded in the records of the relevant Clearing Systems and represented by this Global Certificate shall be reduced by the aggregate nominal amount of the Certificates so cancelled.

## **12 Trustee's Powers**

In considering the interests of Certificateholders while the Global Certificate is held on behalf of a relevant Clearing System, the Trustee may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holder of the Global Certificate.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form in which they will be set out in the Trust Deed. If the Notes were to be represented by Definitive Notes, the Conditions set out on the reverse of each of such Definitive Notes would be as follows. While the Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes. These terms and conditions are subject to the detailed provisions of the Trust Deed and the other Transaction Documents (as defined below).* The issue of £299,200,000 Class A Notes due 2058 (the “**A Notes**”), £15,840,000 Class B Notes due 2058 (the “**B Notes**”), £15,840,000 Class C Notes due 2058 (the “**C Notes**”), £10,560,000 Class D Notes due 2058 (the “**D Notes**”), £10,560,000 Class E Notes due 2058 (the “**E Notes**”), £4,400,000 Class X Notes due 2058 (the “**X Notes**”), £7,040,000 Class Z Notes due 2058 (the “**Z Notes**” and, together with the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the X Notes, the “**Floating Rate Notes**” or the “**Notes**”), of Finsbury Square 2016-1 plc (the “**Issuer**”) was authorised by a resolution of the board of directors of the Issuer passed on 21 April 2016. Together, the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the X Notes are the “**Rated Notes**”.

The Notes are constituted by a trust deed (as amended or modified from time to time, the “**Trust Deed**”) dated on or about 28 April 2016 (the “**Issue Date**”) between the Issuer and Wells Fargo Trust Corporation Limited (the “**Trustee**”) as trustee for the holders of the Notes (the “**Noteholders**”). Any reference in these terms and conditions (the “**Conditions**”) to a “**Class**” of Notes or Noteholders shall be a reference to, as the case may be, the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the X Notes and the Z Notes or to the respective holders thereof.

These Conditions include summaries of, and are subject to, the detailed provisions of (1) the Trust Deed, which includes the form of the Notes, (2) the paying agency agreement (the “**Paying Agency Agreement**”) dated the Issue Date relating to the Notes between, among others, the Issuer, the Trustee, Citibank, N.A., London Branch as agent bank (the “**Agent Bank**”), Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”), Citibank, N.A., London Branch as registrar (the “**Registrar**”), Citibank, N.A., London Branch as transfer agent (the “**Transfer Agent**”) and the other paying agents named in it (the Principal Paying Agent and any other or further paying agent appointed under the Paying Agency Agreement, the “**Paying Agents**” and together with the Registrar, the Transfer Agent and the Agent Bank, the “**Agents**”), (3) the deed of charge and assignment (the “**Deed of Charge**”) dated the Issue Date between the Issuer and the Trustee, (4) the cash/bond administration agreement (the “**Cash/Bond Administration Agreement**”) dated the Issue Date between, *inter alios*, the Issuer and Kensington Mortgage Company Limited (the “**Cash/Bond Administrator**”) and (5) the retention letter (the “**Retention Letter**”) dated the Issue Date between, among others, the Issuer and Kayl Holdco S.à r.l.

In these Note Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the Master Definitions Schedule dated on or about the Issue Date and signed for the purpose of identification by the Issuer and a Seller.

Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Cash/Bond Administration Agreement, the Master Definitions Schedule and the other Transaction Documents are available (i) for inspection during usual business hours at the specified offices from time to time of the Principal Paying Agent and (ii) online at [www.ctslink.com](http://www.ctslink.com) and will be available in such manner for at least as long as the Notes are admitted to listing on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require. The Noteholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Master Definitions Schedule and the other Transaction Documents.

## 1 Form, Denomination and Title

### (a) *Form and denomination*

- (i) The Notes are in fully registered form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. No definitive Notes will be issued with a denomination above £199,000.
- (ii) The Notes of each Class will be represented on issue by beneficial interests in one or more Global Notes in fully registered form, without interest or principal receipts.
- (iii) For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank S.A./N.V. or Clearstream Banking, Luxembourg as appropriate.
- (iv) For so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in minimal amounts of £100,000 and integral multiples of £1,000 thereafter.
- (v) Certificates evidencing definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Global Notes (the "**Definitive Certificates**") will be issued in registered form and in the circumstances referred to below. Definitive Certificates, if issued, will be issued in the denomination of £100,000 and integral multiples of £1,000 thereafter.
- (vi) If, while the Notes are represented by a Global Note:
  - (A) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; 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 therein or thereof having power to tax or in the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Notes which would not be required were the Notes in definitive form.

the holders of Book-Entry Interests in the Global Notes will be entitled to receive certificates evidencing definitive notes in registered form ("**Definitive Notes**") in exchange for their respective holdings of Book-Entry Interests.

### (b) *Title and transfer*

- (i) The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) 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 Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.
- (ii) The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers of the Notes.
- (iii) No transfer of a Note will be valid unless and until entered on the Registrar.

- (iv) Transfers and exchanges of beneficial interests in the Global Notes and any Definitive Notes and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement and the Trust Deed. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void ab initio and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Note who so requests (and who provides evidence of such holding where the Notes are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.
- (v) A Definitive Note may be transferred in whole or in part upon the surrender of the relevant Definitive Note, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Note, a new Definitive Note, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- (vi) Each new Definitive Note, to be issued upon transfer of Definitive Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Note, to such address as may be specified in such request.
- (vii) Registration of Definitive Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.
- (viii) No holder of a Definitive Note, may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.
- (ix) All transfers of Notes and entries on the Register are subject to detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

## 2 Status, Security and Administration

- (a) The Notes constitute direct, secured and unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Note Condition 10 (*Enforcement of Notes, Limited Recourse and Non-Petition*).
  - (i) As regards payments of interest:
    - (A) prior to the earlier to occur of (A) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable, (B) the Final Maturity Date, (C) the Interest Payment Date on which the relevant Notes are redeemed in accordance with Note Condition 5(d) (*Optional Redemption in Full*) or Note Condition 5(e) (*Optional Redemption for Taxation or Other Reasons*) and (D) the date on which the E Notes have been redeemed in full (in the case of (B) to (D) (inclusive) each such date a “**Redemption Event**”), (I) the A Notes shall rank *pari passu* and without any preference or priority amongst

themselves and in priority to the B Notes, the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (II) the B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (III) the C Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (IV) the D Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes, the X Notes, the Z Notes and the Certificates; (V) the E Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the X Notes, the Z Notes and the Certificates; (VI) the X Notes shall rank *pari passu* and without any preference of priority amongst themselves and in priority to the Z Notes and the Certificates; (VII) subject as provided below, the Z Notes shall rank *pari passu* and without any preference of priority amongst themselves and in priority to the Certificates; and (VIII) subject as provided below, the Certificates shall rank *pari passu* and without any preference or priority amongst themselves; and

(B) following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, (I) the A Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the B Notes, the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (II) the B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the C Notes, the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (III) the C Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the D Notes, the E Notes, the X Notes, the Z Notes and the Certificates; (IV) the D Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes, the X Notes, the Z Notes and the Certificates; (V) the E Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the X Notes, the Z Notes and the Certificates; (VI) the X Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Z Notes and the Certificates; (VII) subject as provided below, the Z Notes shall rank *pari passu* and without any preference of priority amongst themselves and in priority to the Certificates; and (VIII) subject as provided below, the Certificates shall rank *pari passu* and without any preference or priority amongst themselves.

(ii) As regards repayments of principal on the A Notes, the B Notes, the C Notes, the D Notes and the E Notes:

(A) prior to (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, (I) the A Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the B Notes, the C Notes, the D Notes and the E Notes; (II) the B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the C Notes, the D Notes and the E Notes; (III) the C Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the D Notes and the E Notes; (IV) the D Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes; (VI) the E Notes shall rank *pari passu* and without any preference or priority amongst themselves; and

(B) following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and

repayable or (ii) the occurrence of a Redemption Event, the provisions of Note Condition 2(d) (*Post-Enforcement Priority of Payments*) shall apply.

- (iii) As regards payments on the X Notes, the Z Notes and the Certificates:
  - (A) prior to (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments of interest and principal in respect of the X Notes and the Z Notes and payments in respect of the Certificates shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments;
  - (B) following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event payments in respect of the X Notes, the Z Notes and the Certificates will be made in accordance with the Post-Enforcement Priority of Payments;
  - (C) payments in respect of the X Notes will only be payable to the extent there are residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments (or residual funds under the Post-Enforcement Priority of Payments, if applicable);
  - (D) payments in respect of the Z Notes will only be payable (i) to the extent there are residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments (or residual funds under the Post-Enforcement Priority of Payments, if applicable) and (ii) to the extent that the A Notes to the D Notes (inclusive) have first been paid in full; and
  - (E) payments in respect of the Certificates shall only be payable (a) out of residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments and (b) at any time out of residual Available Principal Funds (or, in either case, after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, under the Post-Enforcement Priority of Payments).
- (iv) For the avoidance of doubt any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments will be payable to the X Notes, the Z Notes and the Certificates. As a result there may be insufficient funds or no funds available to make payments on the X Notes, the Z Notes and/or the Certificates.
- (v) An amount equal to £1,200,000 shall on the Issue Date be credited to a separate ledger within the Transaction Account (the “**Start-Up Costs Ledger**”) for the payment by the Issuer of such Issuer Costs and Expenses. Any amount standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date shall constitute Available Revenue Funds and be applied in accordance with the applicable Priority of Payments.
- (vi) The Notes are constituted by the Trust Deed and are secured by the same security, but upon enforcement of the security created pursuant to the Deed of Charge (the “**Security**”), the Notes will rank in the priority as referred to above.
- (vii) The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee to have (except where expressly provided otherwise) regard only to the interests of the holders of the Most



Senior Class if, in the Trustee's opinion, there is a conflict between the interests of the holders of the Most Senior Class and the interests of any of the other Noteholders and the other Noteholders (not being holders of the Most Senior Class) shall have no claim against the Trustee for so doing.

- (viii) The Trust Deed contains provisions limiting the powers of the holders of those Classes of Notes other than the Most Senior Class, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class. Except in certain circumstances set out in Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class, the exercise of which will be binding on the holders of the other Classes of Notes, irrespective of the effect thereof on their interests.
- (ix) The Trust Deed and Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) also contain provisions regarding the resolution of disputes between the holders of more than one Class of Notes where all of such Classes are the Most Senior Class and between the holders of more than one Class of Notes other than the Most Senior Class.
- (x) The Trust Deed contains provisions to the effect that, so long as any of the Notes are outstanding, the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons having the benefit of the Security constituted by the Deed of Charge and, in relation to the exercise of such powers, authorities and discretions, the Trustee shall have no liability to such persons as a consequence of so acting.
- (xi) So long as any of the Notes and Certificates remain outstanding, in the exercise of its rights, authorities and discretions under the Trust Deed, the Trustee is not required to have regard to the interests of the other Secured Creditors (except for the Noteholders and Certificateholders).
- (xii) In determining whether the exercise of any right, power, trust, authority, duty or discretion by it under or in relation to the Conditions and/or any of the Transaction Documents is materially prejudicial to the interests of the Noteholders or Certificateholders (or any class thereof), the Trustee may take into account, if available, amongst any other things it may consider necessary and/or appropriate in its absolute discretion, whether the then rating of the Rated Notes will be adversely affected.

(b) **Security**

As security for the payment of all monies payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any Receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Legal Title-Holder, the Legal Title-Holder Facilitator, the Mortgage Administrator and the Mortgage Administration Facilitator under the Mortgage Administration Agreement, the Cash/Bond Administrator under the Cash/Bond Administration Agreement, the Standby Cash/Bond Administrator under the Standby Cash/Bond Administration Agreement the Principal Paying Agent and Agent Bank under the Paying Agency Agreement, the Account Bank under the Bank Agreement, the Collection Accounts Provider under the Collection Account (Initial) Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, the R Collection Account Agreement, the R Collection Account Beneficiary Accession Agreement and the R Collection Account Trustee Accession Agreement, the Swap Counterparty under the Swap Agreement, the Corporate Services Provider under the Corporate Services Agreement, the Paying Agents under the Paying Agency Agreement, the GIC Provider under the Bank Agreement, the Joint Lead Managers under the

Note Purchase Agreement and any other party which is, or accedes to the Deed of Charge as a Secured Party, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) first fixed equitable charges and security in favour of the Trustee over the Issuer's present and future right, title, benefit and interest in, to and under the Loans, the Mortgages and their related Collateral Security;
- (ii) an equitable assignment in favour of the Trustee of the Issuer's interests in the Insurance Contracts to the extent that they relate to the Loans;
- (iii) an assignment in favour of the Trustee of the Issuer's right, title, interest and benefit in, to and under the Bank Agreement, the Collection Account (Initial) Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, the R Collection Account Agreement, the R Collection Account Beneficiary Accession Agreement, the R Collection Account Trustee Accession Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Collection Account (Initial) Declaration of Trust, the Main Collection Account Declaration of Trust, F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, the Corporate Services Agreement, the Deed Poll, the Deed of Charge, the Mortgage Administration Agreement, the Kayl/Issuer Mortgage Sale Agreement, the KWL/Issuer Mortgage Sale Agreement, the Retention Letter, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement, the Swap Agreement, the Swap Collateral Account Bank Agreement and any other agreement entered into between the Issuer and a secured party to the Deed of Charge (the "**Charged Obligation Documents**");
- (iv) a first fixed charge in favour of the Trustee over (x) the Issuer's interest in the Bank Accounts and any Authorised Investments, (y) the Issuer's beneficial interest in the Collection Accounts and (z) any other accounts with any bank or financial institution in which the Issuer now or in the future has an interest (to the extent of its interest); and
- (v) a first floating charge in favour of the Trustee (ranking after the security referred to in paragraphs (i) to (iv) (inclusive) above) over the whole of the undertaking, property, assets and rights of the Issuer.

(c) ***Pre-Enforcement Revenue Priority of Payment***

Prior to (i) the service of an Enforcement Notice or (ii) the occurrence of a Redemption Event, on each Interest Payment Date, the Cash/Bond Administrator shall apply an amount equal to the Available Revenue Funds, which shall include for the avoidance of doubt:

- (i) interest earned pursuant to the Bank Agreement for the Determination Period immediately preceding the Determination Date and interest received on the Transaction Account for the Determination Period immediately preceding the relevant Determination Date;
- (ii) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;
- (iii) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;
- (iv) any amounts received by the Issuer under the Swap Agreement or any replacement Swap Agreement on the relevant Interest Payment Date (excluding Swap Excluded Receivable

Amounts and amounts standing to the credit of the Issuer Profit Ledger, any amounts credited to the Swap Collateral Accounts and any Swap Collateral Accounts surplus);

- (v) any General Reserve Fund Excess Amount;
- (vi) any amount standing to the credit of the General Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (vii) and (viii) below) in respect thereof;
- (vii) for so long as there are any A Notes or subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes, B Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (vi) above but excluding paragraph (viii) below);
- (viii) such amounts of Available Principal Funds on the relevant Determination Date if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be (i) a Revenue Shortfall (subject to the relevant PDL Condition being satisfied in the case of shortfall on the B Notes) and/or (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the C Notes and the D Notes, in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (vi) and (vii) above). Any such amount may only be used for payment of Senior Fees and interest on the A Notes, the B Notes, the C Notes and the D Notes and not of any other amounts in the Pre-Enforcement Revenue Priority of Payments; and
- (ix) on the second Interest Payment Date, the balance, if any, standing to the credit of the Start-Up Costs Ledger,

but excluding any Swap Excluded Receivable Amounts, as at the immediately preceding Determination Date in making the following payments in the following order of priority, but in each case only to the extent that all payments of a higher priority have been made in full (the “**Pre-Enforcement Revenue Priority of Payments**”):

- (i) *first*, to pay *pro rata* (I) when due the remuneration payable to the Trustee (plus VAT, if any) and any fees (including legal fees), costs, charges, liabilities and expenses incurred by and/or payable to it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together or any other documents entered into by the Trustee in its capacity as trustee under the Trust Deed or the Deed of Charge or either or both of them with interest as provided in the Trust Deed or the Deed of Charge or either or both of them and (II) any amounts due and payable to any Receiver and any Appointee of the Trustee in relation to the Transaction Documents;
- (ii) *second*, to pay *pro rata* when due (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Interest Payment Date and prior to the next Interest Payment Date and to provide for the Issuer’s liability or possible liability for corporation tax to the extent not payable from the Issuer Profit; and (b) an amount equal to any premia in respect of Insurance Contracts;

- (iii) *third*, to pay *pro rata* and *pari passu*:
- (A) if the Mortgage Administration Agreement has not been terminated (except to the extent already paid to the Mortgage Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Issue Date) the servicing fee due under the Mortgage Administration Agreement, comprising: (i) the Monthly Servicing Fee payable to the Mortgage Administrator in respect of its performance of the Services (exclusive of value added tax, if any) under the Mortgage Administration Agreement such fee being up to 0.25 per cent. per year (exclusive of VAT, if any) of the average Balance of each of the Loans in the Mortgage Pool on the last day of each calendar month together with costs, expenses and various sundry fees properly incurred by the Mortgage Administrator in accordance with the Mortgage Administration Agreement; and (ii) the Quarterly Servicing Fee payable to the Legal Title-Holder in respect of its performance of the Legal Title-Holder Duties (exclusive of value added tax, if any) such fee being up to 0.05 per cent. per year (exclusive of value added tax, if any) of the average aggregate Balance of each of the Loans in the Mortgage Pool as calculated on the first day of each calendar month together with costs and expenses properly incurred by the Legal Title-Holder in accordance with the Mortgage Administration Agreement;
  - (B) the cash/bond administration fee (exclusive of value added tax, if any), payable under the Cash/Bond Administration Agreement to the Cash/Bond Administrator, such fee being up to a maximum of the product of 0.02 per cent. and the aggregate Principal Amount Outstanding of all the Notes on the first day of each Interest Period immediately preceding the said Interest Payment Date divided by four in respect of each full Interest Period together with costs and expenses incurred by the Cash/Bond Administrator in accordance with the Cash/Bond Administration Agreement;;
  - (C) if the Cash/Bond Administration Agreement has not been terminated and prior to the Standby Cash/Bond Administrator performing its obligations under the Standby Cash/Bond Administration Agreement and stepping in as Cash/Bond Administrator (except to the extent already paid to the Standby Cash/Bond Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Issue Date) the standby cash/bond administration fee (exclusive of value added tax, if any), payable under the Standby Cash/Bond Administration Agreement to the Standby Cash/Bond Administrator in respect of each full Interest Period with costs and expenses incurred by the Standby Cash/Bond Administrator in accordance with the Standby Cash/Bond Administration Agreement;
  - (D) amounts due (plus value added tax, if any) and any fees (including legal fees), costs, charges, liabilities, and expenses incurred by it to the Paying Agents and Agent Bank under the Paying Agency Agreement, the Account Bank under the Bank Agreement and the Collection Accounts Provider under the Collection Account (Initial) Agreement, the Main Collection Account Agreement, (and to the extent relating to the collections which relate to Loans beneficially owned by the Issuer) the F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, the R Collection Account Agreement, the R Collection Account Beneficiary Accession Agreement and the R Collection Account Trustee Accession Agreement;
  - (E) amounts due and payable (plus value added tax, if any) to the Corporate Services Provider under and in accordance with the Corporate Services Agreement and the

Mortgage Administration Facilitator and the Legal Title-Holder Facilitator under the Mortgage Administration Agreement;

- (F) amounts due and payable to the GIC Provider under the Bank Agreement; and
- (G) amounts due and payable to the Swap Collateral Account Bank under the Swap Collateral Account Bank Agreement;
- (iv) *fourth*, to retain an amount equal to the Issuer Profit, which shall be credited to the Issuer Profit Ledger;
- (v) *fifth*, in, or towards payment of any amounts to the Swap Counterparty in respect of a Swap Agreement (other than any Swap Subordinated Amounts which are due and payable under item (xxi) below or any Swap Excluded Payable Amounts which shall be discharged in accordance with the applicable Swap Agreement and the Transaction Documents);
- (vi) *sixth*, to pay *pro rata* and *pari passu* amounts (other than in respect of principal) payable in respect of the A Notes (such amount to be paid *pro rata* according to the respective interest entitlement of the A Noteholders);
- (vii) *seventh*, amounts to be credited to the A Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the A Principal Deficiency Ledger has reached zero;
- (viii) *eighth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders);
- (ix) *ninth*, amounts to be credited to the B Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the B Principal Deficiency Ledger has reached zero;
- (x) *tenth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders);
- (xi) *eleventh*, amounts to be credited to the C Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the C Principal Deficiency Ledger has reached zero;
- (xii) *twelfth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders);
- (xiii) *thirteenth*, amounts to be credited to the D Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the D Principal Deficiency Ledger has reached zero;
- (xiv) *fourteenth*, amounts to be credited to the General Reserve Fund Ledger, up to the General Reserve Fund Required Amount;
- (xv) *fifteenth*, amounts to be credited to the E Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the E Principal Deficiency Ledger has reached zero;
- (xvi) *sixteenth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders);

- (xvii) *seventeenth*, to pay amounts (other than in respect of principal) payable in respect of the X Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X Noteholders);
- (xviii) *eighteenth*, to pay principal *pari passu* and *pro rata* to the holders of the X Notes;
- (xix) *nineteenth*, to pay amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Z Noteholders);
- (xx) *twentieth*, to pay principal *pari passu* and *pro rata* to the holders of the Z Notes (provided that while the A Notes to the D Notes (inclusive) are outstanding no repayment of principal under the Z Notes shall be made);
- (xxi) *twenty first*, in or towards payment according to the amount thereof and in accordance with the terms of the Swap Agreement to the Swap Counterparty of any Swap Subordinated Amounts (other than Swap Excluded Payable Amounts); and
- (xxii) *twenty second*, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the Certificates.

(d) ***Post-Enforcement Priority of Payments***

Following (i) the service of an Enforcement Notice, the Trustee shall, to the extent that such funds are available, use funds standing to the credit of the charged accounts, excluding Swap Excluded Receivable Amounts, any amounts credited to the Swap Collateral Accounts and any Swap Collateral Accounts surplus to the extent, in each case, utilised to discharge Swap Excluded Payable Amounts in accordance with the applicable Swap Agreement and excluding amounts standing to the credit of the Issuer Profit Ledger, to make payments in the following order of priority pursuant to and in accordance with the Deed of Charge or (ii) after the occurrence of a Redemption Event, the Issuer (or the Cash/Bond Administrator) shall, to the extent that such funds are available, use funds standing to the credit of the Transaction Account and the GIC Account (the “**Post-Enforcement Priority of Payments**”):

- (i) *first*, to pay, *pro rata*, any remuneration then due and/or payable to the Trustee, any Receiver or Appointee and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by such receiver together with interest thereon and to pay all amounts due and/or payable to the Trustee in respect of the Trustee’s remuneration, fees (including legal fees), costs, charges, losses, damages, proceedings, claims, demands, expenses and liabilities due to the Trustee (plus value added tax, if any);
- (ii) *second*, to pay, *pro rata* and *pari passu*, the fees, costs, expenses and liabilities due to the Mortgage Administrator, the Mortgage Administration Facilitator, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Paying Agents, the Legal Title-Holder, Legal Title-Holder Facilitator, the Agent Bank, the Account Bank, the Swap Collateral Account Bank, the Collection Accounts Provider, the Corporate Services Provider, the GIC Provider, the Joint Lead Managers and the Arranger;
- (iii) *third*, to retain an amount equal to the Issuer Profit, which shall be credited to the Issuer Profit Ledger;
- (iv) *fourth*, to pay amounts payable to the Swap Counterparty (other than any Swap Subordinated Amount which is due and payable under item (x) below or any Swap Excluded Payable Amounts which shall be discharged in accordance with the applicable Swap Agreement and the Transaction Documents);

- (v) *fifth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the A Noteholders in respect of principal on the A Notes until the A Notes are redeemed in full.
- (vi) *sixth*, to pay, *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the B Noteholders in respect of principal on the B Notes until the B Notes are redeemed in full;
- (vii) *seventh*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the C Noteholders in respect of principal on the C Notes until the C Notes are redeemed in full;
- (viii) *eighth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the D Noteholders in respect of principal on the D Notes until the D Notes are redeemed in full;
- (ix) *ninth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the E Noteholders in respect of principal on the E Notes until the E Notes are redeemed in full;
- (x) *tenth*, to pay to the Swap Counterparty any Swap Subordinated Amounts (other than Swap Excluded Payable Amounts);
- (xi) *eleventh*, to pay amounts owing to any third parties (if any) including any tax payable by the Issuer (other than amounts payable out of Issuer Profit);
- (xii) *twelfth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the X Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the X Noteholders in respect of principal on the X Notes until the X Notes are redeemed in full;
- (xiii) *thirteenth*, to pay *pro rata* and *pari passu*:

- (A) amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Z Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the Z Noteholders in respect of principal on the Z Notes until the Z Noteholders are redeemed in full;
- (xiv) *fourteenth*, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the Certificates.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Condition 9 (*Events of Default*)) **provided that** if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts owing in respect of the Notes or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, 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 in respect of the Notes.

(e) ***The Certificates***

Holders of the Certificates shall be entitled to receive their *pro rata* entitlement to the balance of amounts remaining following payments of all other items senior to the Certificates in the relevant Priorities of Payment.

### 3 Covenants of the Issuer

Save with the prior written consent of the Trustee or as expressly provided in or expressly envisaged by these Conditions, the Bank Agreement, the Swap Collateral Account Bank Agreement, the Collection Account (Initial) Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, the R Collection Account Agreement, the R Collection Account Beneficiary Accession Agreement, the R Collection Account Trustee Accession Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Collection Account (Initial) Declaration of Trust, the Main Collection Account Declaration of Trust, the F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, the Swap Agreement, the Corporate Services Agreement, the Deed Poll, the Deed of Charge, the Master Definitions Schedule, the Mortgage Administration Agreement, the Note Purchase Agreement, the Kayl/Issuer Mortgage Sale Agreement, the KWL/Issuer Mortgage Sale Agreement, the Retention Letter, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement and any other document agreed between the Issuer and the Trustee as being a Transaction Document (together, the “**Transaction Documents**”), the Issuer shall not, so long as any Note remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) ***Negative Pledge***

create or permit to subsist any mortgage, security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) ***Restrictions on Activities***

- (i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;



- (ii) open nor have any interest in any account whatsoever with any bank or financial institution other than the Collection Accounts and Bank Accounts held with the Collection Accounts Provider and the Account Bank and the Swap Collateral Accounts with the Swap Collateral Account Bank, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Note Condition 2 (*Status, Security and Administration*) and where the Trustee receives an acknowledgement from such bank or financial institution of the security rights and interests of the Trustee and an agreement that it will not exercise any right of set-off it might otherwise have against the account in question;
  - (iii) have any subsidiaries or employees or premises; or
  - (iv) act as a director of any company;
- (c) ***Dividends or Distributions***
- pay any dividend or make any other distribution to its shareholders except from the amount standing to the credit of the Issuer Profit Ledger;
- (d) ***Borrowings***
- incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;
- (e) ***Merger***
- consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;
- (f) ***Disposal of Assets***
- transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over or present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein **provided that** the Issuer may (and may agree to) transfer, sell, lend, pledge, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein where the proceeds of the same are applied, *inter alia*, in or towards redemption of the Notes in accordance with the terms and conditions of the Notes and the terms of the Transaction Documents;
- (g) ***Tax Grouping***
- be (and never has been) a member of a VAT (Value Added Tax) group;
- (h) ***Independent Director***
- at any time have fewer than one independent director;
- (i) ***Other***
- permit any of the Transaction Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these Conditions, or permit any party to any of the Transaction Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

## 4 Interest

### (a) *Period of Accrual*

Each Note of each class bears interest from (and including) the Issue Date. Each Note shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Note Condition (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Note Condition 14 (*Notice to Noteholders*)) that it has received all sums due in respect of each such Note (except to the extent that there is any subsequent default in payment).

### (b) *Interest Payment Dates and Interest Periods*

Subject to Note Condition 6 (*Payments*), interest on the Notes (and amounts (if any) the Certificates) is payable on the Interest Payment Date falling in May 2016, and thereafter quarterly in arrear on the 16 day in February, May, August and November in each year unless such day is not a Business Day, in which case interest shall be payable on the following Business Day (each such date an “**Interest Payment Date**”). The period from (and including) an Interest Payment Date (or the Issue Date) to (but excluding) the next (or first) Interest Payment Date is called an “**Interest Period**” in these Note Conditions.

### (c) *Rate of Interest*

Subject to Note Condition 7 (*Prescription*), the Floating Rate of Interest (as defined below) payable from time to time and the Interest Amount (as defined below) in respect of the Floating Rate Notes will be determined on the basis of the provisions set out below:

- (i) on each Interest Determination Date, the Agent Bank will determine the offered quotation to leading banks in the London interbank market for three month sterling deposits, or, in the case of the first Interest Period, a linear interpolation of the offered quotations for two and three month sterling deposits in the London interbank market by reference to the Reuters Screen LIBOR01 Page (or (a) such other page as may replace the Reuters Screen LIBOR01 Page on that service for the purpose of displaying such information or (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace the Reuters Screen LIBOR01 Page) as at or about 11.00 a.m. (London time) on that date (the “**Screen Rate**”). If on the relevant Interest Determination Date the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in Note Condition 4(i) (*Reference Banks and Agent Bank*) below) to provide the Agent Bank with its offered quotation as at or about 11.00 a.m. (London time) on that date to leading banks for three month sterling deposits, or, in the case of the first Interest Period, such rates for two and three month sterling deposits shall be interpolated. The Floating Rate of Interest for such Interest Period shall, subject as provided below, be the aggregate of the Relevant Margin (as defined below) and the Screen Rate or, as the case may be, the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the quotations of the Reference Banks;
- (ii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only two of the Reference Banks (as defined in Note Condition 4(i) (*Reference Banks and Agent Bank*) below) provide such quotations, the Floating Rate of Interest for the relevant Interest Period shall be determined on the basis of the quotations of the two quoting Reference Banks. If, on the relevant Interest Determination Date, the Screen Rate is unavailable and only one or none of

the Reference Banks provides such a quotation, then the Floating Rate of Interest for the relevant Interest Period in respect of the Notes shall be the Reserve Interest Rate. The “**Reserve Interest Rate**” shall be the rate per annum which the Agent Bank determines to be either (a) the aggregate of the Relevant Margin and the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent. 0.00005 per cent., being rounded upwards) of the lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date in respect of sterling, for the relevant Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are in the sole opinion of the Agent Bank being so made or (b) if the Agent Bank notifies that it cannot determine such arithmetic mean, the aggregate of the Relevant Margin and the average of the lending rates in sterling which leading banks in London (selected in each case by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date to leading banks which have their head offices in London for the relevant Interest Period **provided that** if the Agent Bank notifies as aforesaid and further notifies that none of the banks selected as provided in Note Condition 4(i) (*Reference Banks and Agent Bank*) below is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Floating Rate of Interest in effect for the Interest Period ending on the relevant Interest Determination Date.

For the purposes of these Note Conditions:

“**Floating Rate of Interest**” means in relation to the Floating Rate Notes, the floating rate of interest as determined by the Agent Bank in accordance with this Note Condition 4 (*Interest*), **provided that**, where the Floating Rate of Interest applicable to any Class of Notes for any Interest Period is determined to be less than zero, the Floating Rate of Interest for such Interest Period shall be zero.

“**Relevant Margin**” shall be:

on any Interest Determination Date occurring prior to the Step-Up Date:

- (a) 1.50 per cent. per annum for the A Notes;
- (b) 2.85 per cent. per annum for the B Notes;
- (c) 3.80 per cent. per annum for the C Notes;
- (d) 4.50 per cent. per annum for the D Notes;
- (e) 3.00 per cent. per annum for the E Notes;
- (f) 5.00 per cent. per annum for the X Notes; and
- (g) 6.00 per cent. per annum for the Z Notes.

On any Interest Determination Date occurring after the Step-Up Date:

- (a) 2.25 per cent. per annum for the A Notes;
- (b) 3.85 per cent. per annum for the B Notes;
- (c) 4.80 per cent. per annum for the C Notes;
- (d) 5.50 per cent. per annum for the D Notes;
- (e) 5.50 per cent. per annum for the E Notes;
- (f) 5.00 per cent. per annum for the X Notes; and
- (g) 9.00 per cent. per annum for the Z Notes.

(d) ***European Economic and Monetary Union***

If, as a result of the start of the third stage of EMU pursuant to the Treaty, it becomes impossible for the Agent Bank to determine the Floating Rate of Interest for any Interest Period in accordance with Note Condition 4(c)(i) above, the Floating Rate of Interest for each such interest Period shall be determined by the Agent Bank on the basis set out in Note Condition 4(c)(ii).

(e) ***Determination of Floating Rates of Interest and Calculation of Interest Amount***

(i) The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Trustee, the Irish Stock Exchange/Listing Agent and the Paying Agents of (a) the Floating Rate of Interest applicable to the relevant Interest Period in respect of each Floating Rate Note and (b) the amount of interest (the “**Interest Amount**”) payable in respect of each Note for such Interest Period.

(ii) The Interest Amount for all Notes will be calculated by applying the relevant Rate of Interest for such Interest Period to the Principal Amount Outstanding of such Note on the first day of such Interest Period (after taking into account any redemptions occurring in respect of such Notes on such Interest Payment Date), multiplying the product by the actual number of days in such Interest Period divided by 365 (or, if any portion of such Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion divided by 366 and (B) the actual number of days in the remainder of such Interest Period divided by 365) and rounding the resulting figure down to the nearest penny; **provided, however, that**, if the Floating Rate of Interest is determined by the Agent Bank pursuant to the provisions of Note Condition 4(d) (*European Economic and Monetary Union*) above, the Interest Amount payable in respect of each Note for any Interest Period to which such Floating Rate of Interest is applicable will instead be calculated by applying the Floating Rate of Interest for such Interest Period to the Principal Amount Outstanding of such Note during such Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure down to the nearest penny.

(f) ***Publication of Floating Rate of Interest, Interest Amount and other Notices***

The Agent Bank will cause the Floating Rate of Interest and the Interest Amount in respect of each Note for each Interest Period and the immediately succeeding Interest Payment Date to be notified to the Issuer, the Trustee, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, each of the Paying Agents, any stock exchange on which the Notes are then listed and, so long as the Notes are in Global Form, each of Euroclear and Clearstream, Luxembourg and will cause notice thereof to be given to the Noteholders in accordance with Note Condition 13 (*Notice to Noteholders*). The Floating Rate of Interest, Interest Amount and Interest Payment Date in respect of each Note so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period. If the Notes become due and payable under Note Condition 9 (*Events of Default*), the accrued interest per Interest Amount and the Floating Rate of Interest payable in respect of each Note shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Note Condition 4 (*Interest*) but no publication of the Rates of Interest or the amounts of interest payable per Interest Amount so calculated need be made unless the Trustee otherwise requires.

(g) ***Determination or Calculation by Trustee***

If the Agent Bank does not at any time for any reason determine the Floating Rate of Interest and/or calculate the Interest Amount in accordance with the foregoing paragraphs, the Trustee shall (or appoint an agent on its behalf to do so) (i) determine the Floating Rate of Interest at such rate 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/or (as the case may be) (ii) calculate the Interest Amount in the manner specified in Note Condition 4(a) (*Period of Accrual*) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank, and the Trustee shall have no Liability in respect thereof. For the avoidance of doubt, the Floating Rate of Interest applicable to any Class of Notes for any Interest Period as determined by the Trustee shall not be less than zero.

(h) ***Notifications to be Final and Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Note Condition 4 (*Interest*), whether by the Reference Banks (or any of them) or the Agent Bank or the Cash/Bond Administrator or the Trustee shall (in the absence of fraud, wilful default or gross negligence) be final and binding on the Issuer, the Cash/Bond Administrator, the Reference Banks, the Agent Bank, the Trustee and all Noteholders and (in such absence as aforesaid) no liability to the Trustee or the Noteholders shall attach to the Issuer, to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Note Condition 4 (*Interest*).

(i) ***Reference Banks and Agent Bank***

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be three Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of each of Barclays Bank PLC, The Royal Bank of Scotland plc and HSBC Bank plc (the “**Reference Banks**”). The initial Agent Bank shall be Citibank, N.A., London Branch. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or in the event of Citibank, N.A., London Branch being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed.

(j) ***Deferral of Interest***

Interest on the Notes shall be payable in accordance with this Note Condition 4 (*Interest*) and Note Condition 6 (*Payments*) subject to the following terms of this Note Condition 4(j):

- (i) in the event that, whilst there are A Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Note Condition 4(j), due on the B Notes on such Interest Payment Date (such aggregate available funds being referred to in this Note Condition 4(j) as the “**B Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Note Condition 4(j), due on the B Notes on such Interest Payment Date, the amount payable to the B Noteholders on such Interest Payment Date, by way of interest on each B Note, shall be a *pro rata* share of the B Residual Amount;
- (ii) in the event that, whilst there are A Notes and/or B Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Note Condition 4(j), due on the C Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Note Condition 4(j) as the “**C Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Note Condition 4(j), due on the C Notes on such Interest Payment Date, the amount payable to the C Noteholders on such Interest Payment Date, by way of interest on each C Note, shall be a *pro rata* share of the C Residual Amount;

- (iii) in the event that, whilst there are A Notes, B Notes and/or C Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Note Condition 4(j), due on the D Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Note Condition 4(j) as the “**D Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Note Condition 4(j), due on the D Notes on such Interest Payment Date, the amount payable to the D Noteholders on such Interest Payment Date, by way of interest on each D Note, shall be a *pro rata* share of the D Residual Amount;
- (iv) in the event that, whilst there are A Notes, B Notes, C Notes and/or D Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Note Condition 4(j), due on the E Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Note Condition 4(j) as the “**E Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Note Condition 4(j), due on the E Notes on such Interest Payment Date, the amount payable to the E Noteholders on such Interest Payment Date, by way of interest on each E Note, shall be a *pro rata* share of the E Residual Amount;
- (v) in the event that, whilst there are A Notes, B Notes, C Notes, D Notes and/or E Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Note Condition 4(j), due on the X Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Note Condition 4(j) as the “**X Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Note Condition 4(j), due on the X Notes on such Interest Payment Date, the amount payable to the X Noteholders on such Interest Payment Date, by way of interest on each X Note, shall be a *pro rata* share of the X Residual Amount;
- (vi) in the event that, whilst there are A Notes, B Notes, C Notes, D Notes, E Notes and/or X Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Note Condition 4(j), due on the Z Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Note Condition 4(j) as the “**Z Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Note Condition 4(j), due on the Z Notes on such Interest Payment Date, the amount payable to the Z Noteholders on such Interest Payment Date, by way of interest on each Z Note, shall be a *pro rata* share of the Z Residual Amount.

In the event that, by virtue of the provisions of paragraphs (i) to (vii) of this Note Condition 4(j), a *pro rata* share of the B Residual Amount, the C Residual Amount, the D Residual Amount, the E Residual Amount, the X Residual Amount or the Z Residual Amount is paid in accordance with this Note Condition 4(j), the Issuer shall create provisions in its accounts for the shortfall equal to the amount by which the amount of interest paid on the B Notes, the C Notes, the D Notes, the E Notes, the X Notes or the Z Notes, as the case may be, on any Interest Payment Date in accordance with this Note Condition 4(j) falls short of the aggregate amount of interest payable on the relevant class of Notes but for this Note Condition 4(j). Such shortfall (the “**Interest Shortfall**”) shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the relevant Rate of Interest for the relevant class of Notes for such Interest Period. A *pro rata* share of such shortfall thereon shall be aggregated with the amount of, and treated for the purpose of this Note Condition 4(k) as if it were interest due,

subject to this Note Condition 4(j), on each B Note, C Note, D Note, E Note, X Note or Z Note, as the case may be, on the next succeeding Interest Payment Date. This provision shall cease to apply on the Interest Payment Date referred to in Note Condition 5(a) (*Final Redemption of the Notes*) at which time all accrued interest shall become due and payable.

The non-payment of any deferred interest on any Class of Notes will not be an Event of Default unless and until such Notes are the Most Senior Class (other than the E Notes, the X Notes and the Z Notes) at the time of such non-payment.

(k) ***Determinations and Reconciliation***

- (i) In the event that the relevant Performance Report is not prepared with respect to a Determination Period (any such Determination Period being a “**relevant Determination Period**” for the purposes of this Note Condition 4(k)) immediately prior to an Interest Payment Date, then the Cash/Bond Administrator shall use the Monthly Reports in respect of the three most recent Determination Periods (or, where there are not at least three previous Monthly Reports, all previous Monthly Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Note Condition 4(k). If the Performance Report relating to the Determination Period is subsequently received, the Cash/Bond Administrator will make the reconciliation calculations and reconciliation payments as set out in Note Condition 4(k)(iii). Any: (A) calculations properly done on the basis of such previous Monthly Reports; (B) payments made under any of the Notes and Transaction Documents in accordance with such calculations; (C) reconciliation calculations; and (D) reconciliation payments made as a result of such reconciliation calculations, each in accordance with Note Condition 4(k)(ii), 4(k)(iii) and/or 4(k)(iv) shall be deemed to be done in accordance with the provisions of the Transaction Documents and will not in themselves lead to an Event of Default and no liability will attach to the Cash/Bond Administrator in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (ii) In respect of any relevant Determination Period, the Cash/Bond Administrator shall:
  - (A) determine the Interest Determination Ratio by reference to the three most recently received Monthly Reports (or, where there are not at least three previous Monthly Reports, all previous Monthly Reports received in the preceding Determination Periods);
  - (B) calculate the Revenue Receipts for such relevant Determination Period as the product of:
    - (I) the Interest Determination Ratio; and
    - (II) all payments received by the Issuer during such relevant Determination Period; and
  - (C) calculate the Principal Receipts for such relevant Determination Period as the product of:
    - (I) 1 minus the Interest Determination Ratio; and
    - (II) all payments received by the Issuer during such relevant Determination Period.
- (iii) Following any relevant Determination Period, upon delivery of the Monthly Reports in respect of such relevant Determination Period, the Cash/Bond Administrator shall reconcile the calculations made in accordance with Note Condition 4(k)(ii) above to the actual collections set out in the Monthly Reports as follows:
  - (A) if the Reconciliation Amount is a positive number, the Cash/Bond Administrator shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Revenue Ledger as Available Principal Funds; and

- (B) if the Reconciliation Amount is a negative number, the Cash/Bond Administrator shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Principal Ledger as Available Revenue Funds.
- (iv) If amounts standing to credit of the Revenue Ledger or Principal Ledger, as the case may be, are insufficient to pay or provide for the applicable Reconciliation Amount in full on the relevant Interest Payment Date the Cash/Bond Administrator shall reallocate amounts standing to the credit of the Revenue Ledger or Principal Ledger (as applicable) in accordance with Note Condition 4(k)(iii)(A) or 4(k)(iii)(B) respectively in respect of each subsequent Determination Period (such Reconciliation Amounts to be applied accordingly on the immediately following Interest Payment Date) until such Reconciliation Amount is paid or provided for in full.
- (v) If the Cash/Bond Administrator is required to provide for a Reconciliation Amount in determining Available Revenue Funds and Available Principal Funds in respect of any Interest Payment Date, the Cash/Bond Administrator shall pay or provide for such Reconciliation Amount in accordance with the terms of the Cash/Bond Administration Agreement and the Cash/Bond Administrator shall promptly notify the Issuer and the Trustee of such Reconciliation Amount.

In this Note Condition 4(k):

“**Interest Determination Ratio**” means: (i) the aggregate Revenue Receipts calculated in the three preceding Monthly Reports (or such smaller number of preceding Monthly Reports as may be available on the date the Interest Determination Ratio is calculated); divided by (ii) the aggregate of the Revenue Receipts and the Principal Receipts calculated in such Monthly Reports;

“**Monthly Report**” means the monthly report substantially in the form scheduled as Schedule 3 (*Form of Monthly Report*) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer and KMC;

“**Reconciliation Amount**” means in respect of a relevant Determination Period: (i) the actual Principal Receipts as determined in accordance with the available Monthly Reports; less (ii) the Principal Receipts in respect of such relevant Determination Period, determined in accordance with Note Condition 4(k)(ii)(C);

“**Revenue Receipts**” means, in relation to a relevant Determination Period, the amount credited (or in relation to a relevant Determination Period, the actual amount that should have been credited) to the Revenue Ledger for such relevant Determination Period; and

“**Principal Receipts**” means, in relation to a relevant Determination Period, the amount credited (or in relation to a relevant Determination Period, the actual amount that should have been credited) to the Principal Ledger for such relevant Determination Period.

## 5 Redemption

### (a) *Final Redemption of the Notes*

Unless previously redeemed or purchased and cancelled as provided in this Note Condition 5 (*Redemption*), the Issuer shall, subject always to the Pre-Enforcement Priority of Payments and Note Conditions 5(c) (*Note Principal Payments, Principal Amount Outstanding and Pool Factor*) and 10(b) (*Limited Recourse*), redeem (i) the A Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in February 2058, (ii) the B Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in February 2058, (iii) the C Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in February 2058, (iv) the D Notes at



their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in February 2058, (v) the E Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in February 2058, (vi) the X Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in February 2058, (vii) the Z Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in February 2058, and (viii) towards making payments in respect of the Certificates on the Interest Payment Date falling in February 2058, **provided that**, after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, the X Notes and the Z Notes shall be redeemed and payments shall be made in respect of the Certificates out of available residual amounts pursuant to the Post-Enforcement Priority of Payments.

The Issuer may not redeem Notes in whole or in part prior to such relevant date except as provided in paragraphs (b), (d) or (e) of this Note Condition 5 (*Redemption*) but without prejudice to Note Condition 9 (*Events of Default*).

(b) ***Mandatory Redemption of the Notes***

Prior to (i) the service of an Enforcement Notice or (ii) the occurrence of a Redemption Event, on each Interest Payment Date, other than the Interest Payment Date on which the Notes are to be redeemed under paragraph (a) above or (d) or (e) below, the Issuer or the Cash/Bond Administrator on the Issuer's behalf shall apply an amount equal to the Available Principal Funds (as defined below) as at the date which falls two Business Days prior to such Interest Payment Date (each such date a "**Determination Date**") (less any amount of Available Principal Funds applied pursuant to the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date), in making the following redemptions in the following priority (the "**Pre-Enforcement Principal Priority of Payments**"):

- (i) *first*, on or after the Interest Payment Date on which a Liquidity Reserve Fund Trigger Event occurs, to fund the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount;
- (ii) *second*, following application of the General Reserve Fund and Liquidity Reserve Fund, transferring amounts to the Available Revenue Funds to the extent there will be (i) a Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) and/or (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the C Notes and the D Notes;
- (iii) *third*, in redeeming the A Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the A Notes have been redeemed in full;
- (iv) *fourth*, after the A Notes have been redeemed in full, in redeeming the B Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the B Notes have been redeemed in full;
- (v) *fifth*, after the A Notes and the B Notes have been redeemed in full, in redeeming the C Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the C Notes have been redeemed in full;
- (vi) *sixth*, after the A Notes, the B Notes and the C Notes have been redeemed in full, in redeeming the D Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the D Notes have been redeemed in full;
- (vii) *seventh*, after the A Notes, the B Notes, the C Notes and D Notes have been redeemed in full, in redeeming the E Notes on a *pari passu* and *pro rata* basis until the Interest Payment Date on which the E Notes have been redeemed in full; and

(viii) *eight*, to pay any remaining amounts to the holders of the Certificates.

The Cash/Bond Administrator is responsible, pursuant to the Cash/Bond Administration Agreement, for determining the amount of the Available Principal Funds as at any Determination Date and each determination so made shall (in the absence of negligence, fraud, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Mortgage Administrator, the Trustee and all Noteholders, and no liability to the Noteholders, shall attach to the Issuer, the Trustee or (in such absence as aforesaid) to the Cash/Bond Administrator in connection therewith.

The amount of “**Available Principal Funds**” as at any Determination Date is an amount calculated as the aggregate of:

- (i) the Principal Collections received for the preceding Determination Period;
- (ii) the proceeds of any Authorised Investments attributable to Principal Collections for the Determination Period immediately preceding the relevant Determination Date;
- (iii) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Interest Payment Date; and
- (iv) any Liquidity Reserve Fund Excess Amount,

less any amounts of Available Principal Funds which are to constitute item (h) of Available Revenue Funds.

The amount of £335,185.93, which is the amount by which the total issuance of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes exceeds the consideration payable by the Issuer in respect of the sale of the Loans and Collateral Security, will be made part of the Available Principal Funds on the first Interest Payment Date.

The “**Principal Collections**” as at any Determination Date is an amount determined by the Cash/Bond Administrator on such Determination Date or is the aggregate of:

- (i) all repayments or prepayments of principal received by the Issuer in relation to the Loans in respect of the Determination Period ending on or immediately prior to such Determination Date;
- (ii) recoveries received by the Issuer and allocable to principal upon an enforcement of the Collateral Security, and recoveries received by the Issuer and allocable to principal upon a purchase or a repurchase of the Loans or Shortfall Loans by the relevant Seller or KMC (or an affiliate thereof), in accordance with the terms of the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement (as applicable) in each case received by the Issuer in the Determination Period preceding such Determination Date.

(c) ***Note Principal Payments, Principal Amount Outstanding and Pool Factor***

With respect to each Note on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Cash/Bond Administrator to determine) (i) the amount of any principal amount due on the Interest Payment Date next following such Determination Date (a “**Note Principal Payment**”), (ii) the principal amount outstanding of each such Note of such Class on the Interest Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date) (the “**Principal Amount Outstanding**”) and (iii) the fraction expressed as a decimal to the sixth point (the “**Pool Factor**”), of which the numerator is the Principal Amount Outstanding of a Note of that Class (as referred to in (ii) above) and the denominator is 100,000. Each determination by or on behalf of the Issuer of any Note Principal Payment, the

Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of fraud, wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each of the Classes of Notes, the Issuer will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on one or more stock exchanges) the relevant stock exchanges, and will immediately cause notice of each such determination to be given in accordance with Note Condition 14 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no Note Principal Payment is due to be made on the Notes of any Class on any Interest Payment Date a notice to this effect will be given to the Noteholders. If the Issuer does not at any time for any reason determine (or cause the Cash/Bond Administrator to determine) with respect to each of the Classes of Notes, a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such determination may be made by the Trustee (without liability accruing to the Trustee as a result) in accordance with this Note Condition based on information supplied to it by the Issuer or the Cash/Bond Administrator and each such determination or calculation shall be deemed to have been made by the Issuer and in the absence of fraud, wilful default, or gross negligence shall be final, and no liability to the Noteholders shall attach to the Trustee in connection with the exercise or non exercise by the Trustee of its powers, duties, determinations and discretions under this Note Condition 5 (*Redemption*).

(d) ***Optional Redemption in Full***

(i) *provided that:*

- (A) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property pursuant to the Deed Poll (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) as would be required to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes, (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; and (III) pay any other costs associated with the exercise of the optional call; and
- (B) on or prior to the Interest Payment Date on which the relevant notice of optional redemption expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date on or after the Call Option Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Note Condition 14 (*Notice to Noteholders*) (which notice shall be irrevocable) (the “**notice of optional redemption**”);

(ii) *provided that:*

- (A) the aggregate Principal Amount Outstanding of the Senior Notes is less than or equal to 10 per cent. of the aggregate Principal Amount Outstanding of the Senior Notes upon issue;
- (B) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property to the holders of the Certificates (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) required to (I) redeem all of the Notes then outstanding in full together with accrued and

unpaid interest on such Notes, (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; and (III) pay any other costs associated with the exercise of the optional call; and

- (C) on or prior to the Interest Payment Date on which such notice expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Note Condition 14 (*Notice to Noteholders*) (which notice shall be irrevocable).

- (iii) Any Note redeemed pursuant to this Note Condition 5(d) (*Optional Redemption in Full*) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

(e) ***Optional Redemption for Taxation or Other Reasons***

If by reason of a change in or amendment to tax law (or regulation or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, on the next Interest Payment Date, the Issuer or any Paying Agent has or will become obliged to deduct or withhold from any payment of principal or interest on any Class of the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of Notes of such Class) 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 the United Kingdom or any political sub-division thereof or any authority thereof or therein, then the Issuer shall, if the same would avoid the effect of such relevant event described in this paragraph (e), 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 as principal debtor under the Notes, **provided that** the Trustee is satisfied that such substitution will not be materially prejudicial to the holders of the Most Senior Class and **provided further that** if any of the taxes referred to in this Note Condition 5(e) arise in connection with FATCA, the requirement to avoid the effect of any event described above shall not apply.

If the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer (immediately before giving the notice referred to below) stating that one or more of the events described in this paragraph (e) 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 45 nor less than 30 days' notice to the Trustee and Noteholders in accordance with Note Condition 14 (*Notice to Noteholders*) redeem all (but not some only) of the Notes on the next following Interest Payment Date 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 Trustee (i) a certificate signed by two directors of the Issuer stating that one or more of the circumstances referred to in this paragraph (e) above prevail(s) and setting out details of such circumstances and (ii) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer and any Paying Agent (as the case may be) has or will become obliged to deduct or withhold amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Noteholders.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Pre-Enforcement Revenue Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the terms and conditions thereof.

(f) ***Notice of Redemption***

Any such notice as is referred to in paragraph (d) or (e) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at the Principal Amount Outstanding, plus accrued and unpaid interest, of the relevant Note.

The Issuer shall notify the Swap Counterparty upon the occurrence of a Redemption Event.

(g) ***Purchase***

The Issuer shall not purchase any Notes.

(h) ***Cancellation***

All Notes redeemed will be cancelled upon redemption, and may not be resold or re-issued.

## **6 Payments**

(a) ***Principal and interest***

Payments of principal and interest shall be made by transfer to an account in Sterling, maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.

(b) ***Record date***

Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Global Note shall be the only person entitled to receive payments in respect of any Note represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

(c) ***Payments subject to laws***

All payments are subject in all cases to any applicable laws and regulations in the place of payment or other laws to which the Issuer or the Agents agree to be subject and the Issuer and the Agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements, but without prejudice to the provisions of Note Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) ***Payments on business days***

If the due date for payment of any amount in respect of any Note is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place, and shall not be entitled to any further interest or other payment in respect of such delay. In this paragraph, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a sterling-denominated account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.

(e) ***Paying Agents***

The initial Paying Agent and its initial specified office is listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, **provided that** it will maintain a Principal Paying Agent.

The initial specified office of the Paying Agent is at:

*Principal Paying Agent*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Notice of any change in the Paying Agents or their specified offices will promptly be given to the Trustee and the Noteholders in accordance with Note Condition 14 (*Notice to Noteholders*).

(f) ***Incorrect Payments***

The Cash/Bond Administrator will, from time to time, notify Noteholders in accordance with the terms of Note Condition 14 (*Notice to Noteholders*) of any over-payment or under-payment of which it has actual notice made on any Interest Payment Date to any party entitled to the same pursuant to the Pre-Enforcement Priority of Payments. Following the giving of such a notice, the Cash/Bond Administrator shall rectify such over-payment or under-payment by increasing or, as the case may be decreasing payments to the relevant parties on any subsequent Interest Payment Date or Interest Payment Dates (if applicable) to the extent required to correct the same. Any notice of over-payment or under-payment pursuant to this Note Condition shall contain reasonable details of the amount of the same, the relevant parties and the adjustments to be made to future payments to rectify the same. Neither the Issuer nor the Cash/Bond Administrator shall have any liability to any person for making any such correction.

## 7 **Prescription**

Claims in respect of principal and interest shall become void unless made within a period of 10 years, in the case of principal, and five years, in the case of interest, from the appropriate relevant date on which such sums became due and payable. After the date on which a Note becomes void in its entirety, no claim may be made in respect thereof. In this Note Condition 7 (*Prescription*), the “**relevant date**”, in respect of a Note is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Notes due on or before that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which the full amount of such monies having been so received, notice to that effect having been duly given to the Noteholders in accordance with Note Condition 14 (*Notice to Noteholders*).

## 8 **Taxation**

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature or in connection with FATCA. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the

relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, the Principal Paying Agent, any other Paying Agent, nor any other person will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction or in connection with FATCA.

## 9 Events of Default

After any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate in Principal Amount Outstanding of the Most Senior Class or if so directed by an Extraordinary Resolution of the Most Senior Class, shall (subject, in each case, to it being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Issuer (an “**Enforcement Notice**”) that the Notes are, and they shall immediately become, due and payable at their Principal Amount Outstanding together with accrued interest:

- (i) default being made for a period of 10 Business Days in the payment of the principal on the Most Senior Class of Notes or any interest on the Most Senior Class of Notes (other than the E Notes, the X Notes and the Z Notes) when and as the same ought to be paid in accordance with these Note Conditions; or
- (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or the Trust Deed, as applicable, and, in any such case (except where the Trustee certifies that, such failure is (I) in the opinion of the Trustee, incapable of remedy or (II) in the opinion of the Trustee, capable of remedy but remains unremedied for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or
- (iv) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Most Senior Class; or
- (v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or filing documents with the court or making an application for the appointment of an administrator or liquidator or serving a notice of intent to appoint an administrator) and such proceedings not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally; or
- (vi) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Transaction Documents,

**provided that**, in the case of each of the events described in sub-paragraph (ii) of this Condition 9, the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class.

## 10 Enforcement of Security, Limited Recourse and Non-Petition

### (a) *Enforcement of Security*

At any time after an Enforcement Notice has been served, the Trustee may, in its absolute discretion and without further notice, take such proceedings and/or other action or steps against or in relation to the Issuer or any other person as it may think fit to enforce the provisions of the Notes, the Trust Deed, these Note Conditions and the other Transaction Documents to which it is a party, but it shall not be bound to do so unless:

- (i) it shall have been directed by a notice in writing by holders of Notes outstanding constituting at least 25 per cent. of the aggregate in Principal Amount Outstanding of the Most Senior Class or if so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding; and
- (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

### (b) *Limited Recourse*

#### (i) *Enforcement of Security*

Only the Trustee may enforce the Security over the Charged Property in accordance with, and subject to the terms of, the Deed of Charge.

#### (ii) *Insufficient Recoveries*

If at any time following:

- (A) the occurrence of either:
  - (1) the Interest Payment Date falling in February 2058 or any earlier date upon which all of the Notes of each Class are due and payable; or
  - (2) the service of an Enforcement Notice; and
- (B) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Post-Enforcement Priority of Payments,

the proceeds of such Realisation are insufficient, after the same have been allocated in accordance with the applicable Priority of Payments, to pay in full all claims ranking in priority to the Notes and all amounts then due and payable under any Class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in paragraph (b) above, cease to be due and payable by the Issuer.

For the purposes of this Note Condition 10:

“**Realisation**” means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from



or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

“**Charged Property**” means the property of the Issuer which is subject to the Security.

(iii) *Noteholder Acknowledgments*

Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that:

- (A) in the event of realisation or enforcement of the Charged Property, its right to obtain payment of interest and repayment of principal on the Notes in full is limited to recourse against the undertaking, property and assets of the Issuer comprised in the Charged Property;
- (B) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Noteholder its proportion of the proceeds of realisation or enforcement of the Charged Property in accordance with the Post-Enforcement Priority of Payments and all claims in respect of any shortfall will be extinguished and discharged; and
- (C) in the event that a shortfall in the amount available to pay principal of the Notes of a Class exists on the Final Maturity Date or on any earlier date for redemption in full of the Notes or any Class of Notes, after payment on the Final Maturity Date or such date of earlier redemption of all other claims ranking higher in priority to or *pari passu* with the Notes or the related Class of Notes, and the Charged Property has not become enforceable as at the Final Maturity Date or such date of earlier redemption, the liability of the Issuer to make any payment in respect of such shortfall will cease and all claims in respect of such shortfall will be extinguished.

(c) *Non-Petition*

No Noteholder may take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing or for the appointment of a liquidator, receiver, administrative receiver, administrator, trustee, manager or similar officer in respect of the Issuer or over any or all of its assets or undertaking.

## 11 Meetings of Noteholders; Modifications; Consents; Waiver

- (a) The Trust Deed contains provisions for convening separate or combined meetings of the Noteholders of any Class to consider matters relating to the Notes, including subject to Note Condition 11(e) the sanctioning by Extraordinary Resolution of a modification of any of these Note Conditions or any provisions of the other Transaction Documents.

The Trust Deed provides that a resolution in writing signed by all of the holders of a particular Class or Classes of Notes by a majority consisting of not less than 50.1 per cent. by Principal Amount Outstanding of such Class or Classes of Notes shall for all purposes be as valid and effective as an Ordinary Resolution passed at a meeting of the Noteholders of such Class duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the Noteholders of such Class or Classes.

The Trust Deed provides that a resolution in writing signed by all of the holders of at least 75 per cent. by Principal Amount Outstanding of the relevant Class or Classes of Notes shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders of such Class or Classes duly convened and held. Such a resolution in writing may be contained in one

document or several documents in the same form, each signed by or on behalf of one or more of the Noteholders of such Class or Classes.

- (b) Any Extraordinary Resolution or an Ordinary Resolution duly passed by a meeting of the Noteholders of a particular Class or Classes shall be binding on all Noteholders of such Class or Classes (whether or not they were present at the meeting at which such resolution was passed and whether or not voting).

An Extraordinary Resolution passed at a meeting of the holders of the Most Senior Class shall be binding on the holders of all other Classes of Notes irrespective of the effect on them, except an Extraordinary Resolution of the holders of the Most Senior Class to sanction a Notes Basic Terms Modification, which shall not take effect unless it has also been sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes affected and by a Certificates Extraordinary Resolution of the Certificateholders (if affected).

No Extraordinary Resolution of any Class to approve any matter other than a Notes Basic Terms Modification shall not be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes then outstanding ranking senior to such Class (to the extent that there are Notes ranking senior to such Class of Notes) unless, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of any Most Senior Class of Notes or it is sanctioned by an Extraordinary Resolution of the holders of such Most Senior Class of Notes. Except in certain circumstances the Trust Deed imposes no such limitations on the powers of the holders of any Class of Notes the exercise of which will be binding on themselves and any junior Class of Notes, irrespective of the effect on their interests.

The Trust Deed provides that:

- (i) meetings of Noteholders of separate Classes may be held at the same time;
  - (ii) meetings of Noteholders of separate Classes will normally be held separately, but the Trustee may from time to time determine that meetings of Noteholders of separate Classes shall be held together;
  - (iii) an Ordinary Resolution or an Extraordinary Resolution that in the opinion of the Trustee affects one Class alone shall be deemed to have been duly passed if passed at a separate meeting of the Noteholders of the Class concerned;
  - (iv) an Extraordinary Resolution that in the opinion of the Trustee affects the Noteholders of more than one Class but does not give rise to a conflict of interest between the Noteholders of the different Classes concerned shall be deemed to have been duly passed if passed at a single meeting of the Noteholders of the relevant Classes;
  - (v) subject to paragraph (vi) below, an Extraordinary Resolution that in the opinion of the Trustee affects the Noteholders of more than one Class and gives or may give rise to a conflict of interest between the Noteholders of the different Classes concerned shall be deemed to have been duly passed only if it shall be duly passed at separate meetings of the Noteholders of each of the relevant Classes; and
  - (vi) if a poll is called at a meeting of a Class of Noteholders, the number of votes which can be cast by each person present shall be proportionate to the Principal Amount Outstanding of the Notes of such Class that such person holds or represents at that meeting.
- (c) ***Negative consent***

In relation to an Extraordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) or an Ordinary Resolution of the Noteholders of any Class of Noteholders,

such Extraordinary Resolution or Ordinary Resolution is duly passed and shall be binding on all of the Noteholders or the Noteholders of such Class in accordance with its terms where:

- (i) notice of such Extraordinary Resolution or Ordinary Resolution, as applicable, (including the full text of the same) has been given by the Issuer, the Trustee or the Cash/Bond Administrator, to the Noteholders or the Noteholders of such Class in accordance with the provisions of Note Condition 14 (*Notice to Noteholders*);
- (ii) such notice contains a statement requiring such Noteholders to inform the Trustee via the Clearing Systems and the Principal Paying Agent in writing if they object to such Extraordinary Resolution or Ordinary Resolution, stating that unless holders of (i) in the case of an Extraordinary Resolution, 10 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class; or (ii) in the case of an Ordinary Resolution, 15 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class, makes such objection, the Extraordinary Resolution (other than an Extraordinary Resolution relating to a Notes Basic Terms Modification) or Ordinary Resolution will be deemed to be passed by the Noteholders or the Noteholders of such Class and specifying the requirements for the making of such objections (including addresses, email addresses and deadlines) further as set out in the following paragraph; and
- (iii) holders of (i) in the case of an Extraordinary Resolution, 10 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or (ii) in the case of an Ordinary Resolution, 15 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class, have not informed the Trustee via the Clearing Systems and the Principal Paying Agent in writing of their objection to such Extraordinary Resolution or Ordinary Resolution within 40 days of the date of the relevant notice.

Upon the Trustee receiving objections from Noteholders of 10 per cent. or more (in the case of an Extraordinary Resolution) or 15 per cent. or more (in the case of an Ordinary Resolution) in aggregate of the Principal Amount Outstanding of the Notes of the relevant Class or Classes, the Trustee shall give notice to the relevant Class or Classes of Noteholders in accordance with the provisions of Note Condition 14 (*Notice to Noteholders*) that the relevant Extraordinary Resolution or the Ordinary Resolution (as the case may be) has not passed. In such circumstance, a meeting of Noteholders may be called in accordance with the provisions of this Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) in order to pass the relevant Extraordinary Resolution or Ordinary Resolution in accordance with the provisions of this Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*).

(d) ***Quorum***

The quorum at any meeting of Noteholders of a particular Class for passing:

- (i) an Extraordinary Resolution to approve a Notes Basic Terms Modification, shall be two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than (x) 75 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting or (y) more than 50 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting;
- (ii) an Extraordinary Resolution to approve any matter other than a Notes Basic Terms Modification, shall be two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than (x) more than 50 per cent. of the Principal Amount Outstanding of the Notes of such Class or (y) 25 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting; and

- (iii) an Ordinary Resolution, shall be two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than (x) 25 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting and (y) 10 per cent. of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting.

Subject to the provisions of the Trust Deed, the holder of the Global Note shall be treated as a Noteholder for the purposes of constituting a quorum for the purposes of meeting the quorum requirements of a meeting of Noteholders.

(e) ***Modification and Waiver***

The Trustee may agree, without the consent or sanction of any of, or any liability to, the Noteholders, to:

- (i) (I) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation, and (II) any other modification (excluding a Notes Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Notes of such Class, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class (other than any Noteholders of the Most Senior Class who have confirmed their consent in writing to the relevant modification, waiver or authorisation); or
- (ii) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class (other than any holders of the Most Senior Class who have confirmed their consent in writing to the relevant waiver, authorisation or determination),

**provided that** the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution of holders of the Most Senior Class made pursuant to Note Condition 9 (*Events of Default*). Any such modification, authorisation, determination or waiver shall be binding on the Noteholders and, if the Trustee so requires, the Issuer will arrange for it to be notified to the Noteholders as soon as practicable.

The prior written consent of the Swap Counterparty is required to modify or supplement any provision of the Transaction Documents, the Notes Conditions or the Certificates Conditions if the Swap Counterparty determines, acting in a commercially reasonable manner, that such modification affects or would affect any of the following:

- (i) the Swap Counterparty's rights in relation to any security (howsoever described, and including as a result of changing the nature or the scope of, or releasing such security) granted by the Issuer in favour of the Trustee on behalf of the Secured Creditors;
- (ii) the definitions of Final Maturity Date, Available Revenue Funds, Swap Collateral Account, Swap Cash Collateral Account, the Swap Cash-Linked Collateral Account, Swap Securities Collateral Account, Swap Excluded Payable Amounts or Swap Excluded Receivable Amounts;
- (iii) the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;
- (iv) the provisions in the Transaction Documents or the Note Conditions setting out the method of calculation of amounts payable under the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;

- (v) any amendment to Condition 5 (*Redemption*) of the Note Conditions or any additional redemption rights in respect of the Notes; or
- (vi) Clause 20.1.2 (*Modification*) of the Trust Deed.

The Issuer shall notify in writing the Swap Counterparty and the Trustee of any proposed modification or supplement to any provisions of the Transaction Documents, the Notes Conditions or the Certificate Conditions that may affect any of the items listed in the previous paragraph at least 21 days (exclusive of the day on which the notice is given and of the day that the modification or supplement is intended to be effected) prior to such modification or supplement being effected, notwithstanding any other provision of the Transaction Documents, the Notes Conditions or the Certificate Conditions. The Swap Counterparty may notify the Trustee and the Issuer in writing if it determines (acting in a commercially reasonable manner) that such modifications or supplement would affect any of the items listed in the previous paragraph. If the Issuer and the Trustee receive notification (the “**Notification**”) from the Swap Counterparty that the Swap Counterparty has determined that the modification and/or supplement would not affect any of the items listed in the previous paragraph or that the Swap Counterparty otherwise consents to such modification and/or supplement, such modification and/or supplement may take effect at any time from and including the date of receipt of the Notification. If the Issuer and the Trustee do not receive any such determination or a Notification by the expiry of such notice period, the Swap Counterparty shall be deemed to have consented to such modification or supplement. If the Swap Counterparty has not received notice in accordance with this paragraph, the proposed modification or supplement shall not be effective.

The 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 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 Notes Basic Terms Modification) to the Note Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Cash/Bond Administrator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification) to the Note Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administration Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Noteholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Notes Basic Terms Modification) to the Note Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms

of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Legal Title-Holder Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

In respect of the amendments effected pursuant to Note Condition 11(e) (*Modification and Waiver*), the Trustee shall, in relation only to its obligation to make an amendment related to EMIR or a replacement Mortgage Administrator or a replacement Legal Title-Holder, not consider the impact of such modifications on the interests of any Noteholders or Certificateholders, Secured Creditor or any other person and shall act and rely solely and without further investigation or enquiry on any certificate or evidence provided to it by the Issuer or relevant Transaction Party, as the case may be and shall not be liable to the Noteholders, the Certificateholders, any other Secured Creditors or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interest of such person.

Any such modifications permitted by this Note Condition 11(e) (*Modification and Waiver*) shall be binding on the Noteholders, Certificateholders and other Secured Creditors and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders and Certificateholders as soon as practicable thereafter in accordance with Note Condition 13 (*Notice to Noteholders*) and Certificates Condition 11 (*Notice to Certificateholders*). So long as the Rated Notes, or any of them, are rated by the Rating Agencies the Issuer shall notify each of the Rating Agencies of any modification made by it in accordance with this Note Condition 11(e) (*Modification and Waiver*) as soon as reasonably practicable thereafter.

The Trustee shall not be obliged to agree to any modification of the Trust Deed, the Note Conditions, the Certificates Conditions or any other Transaction Document which (in the sole opinion of the Trustee) would have the effect of: (x) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (y) increasing the obligations or duties, or decreasing the protections of the Trustee in the Transaction Documents, the Trust Deed and/or the Conditions.

(f) ***Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as are set out in the Trust Deed or as the Trustee may otherwise require, but without the consent of, or any liability to, the Noteholders or the other Secured Creditors to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed, the Notes and the other Transaction Documents. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the holders of the Most Senior Class.

(g) ***Evidence of Notes***

Where for the purposes of these Note Conditions the Trustee or any other party to the Transaction Documents requires a Noteholder holding Notes through Euroclear or Clearstream, Luxembourg to establish its holding of the Notes to the satisfaction of such party, such holding shall be considered to be established (and the Noteholder in respect of which such holding is established shall be a “**Verified Noteholder**”) if such Noteholder provides to the requesting party with regard to the relevant date:

- (i) a Euclid Statement (in the case of Euroclear) or a Creation Online Statement (in the case of Clearstream, Luxembourg) in each case providing confirmation at the time of issue of the same of such person’s holding in the Notes; and

- (ii) if the relevant Notes are held through one or more custodians, a signed letter dated as of the date of the Euclid Statement or the Creation Online Statement from each such custodian confirming on whose behalf it is holding such Notes such that the Trustee or any other party to the Transaction Documents is able to verify to its satisfaction the chain of ownership to the beneficial owner.

If in connection with verifying its holding the Trustee or any other party to the Transaction Documents requires a Noteholder to temporarily block its Notes in Euroclear or Clearstream, Luxembourg, such Noteholder will be required to instruct Euroclear or Clearstream, Luxembourg (via its custodian) to do so.

(h) ***Entitlement of the Trustee***

In connection with the exercise of its functions (including but not limited to those referred to in this Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*)) the Trustee:

- (i) shall have regard to the interests of the Noteholders (or, as applicable, the Noteholders of a particular Class) as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders;
- (ii) shall have regard only to the interests of the holders of the outstanding Notes of the Most Senior Class of Notes where, in the opinion of the Trustee, there is a conflict between the interests of the holders of the Most Senior Class of Notes and the interests of any other Noteholders; and
- (iii) may, in determining whether or not a proposed action will be materially prejudicial to the Noteholders (or, as applicable, the Noteholders of a particular Class), have regard to, among other things, a Rating Agency Confirmation.

## **12 Indemnification and Exoneration of the Trustee**

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Legal Title-Holder and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator or the Standby Cash/Bond Administrator (as the case may be), the Legal Title-Holder or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Legal Title-Holder or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee. The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Cash/Bond Administrator or the Legal Title-Holder with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

### 13 Notice to Noteholders

#### (a) *Forms of Notice*

All notices, other than notices given in accordance with any one or more of the following paragraphs of this Note Condition 14 (*Notice to Noteholders*), to Noteholders shall be deemed to have been validly given if:

- (i) for so long as the Notes are listed on a stock exchange, and the rules of such stock exchange and the Market Abuse Directive so require, or at the option of the Issuer, if delivered through the announcements section of the relevant stock exchange and a regulated information service maintained or recognised by such stock exchange; and
- (ii) for so long as the Notes are represented by Global Notes, and if, for so long as the Notes are listed on a stock exchange, the rules of such stock exchange so allow if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders; and
- (iii) for so long as the Notes are represented by Global Notes and if, for so long as the Notes are listed on a stock exchange, rules of such stock exchange so allow if delivered to the electronic communications systems maintained by Bloomberg L.P. for publication on the relevant page for the Notes or such other medium for the electronic display of data as may be previously approved in writing by the Trustee; or
- (iv) if the Notes are in definitive form, if published in a leading daily newspaper printed in the English language and with general circulation in Ireland (which is expected to be *The Irish Times*) or, if that is not practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Ireland and the rest of Europe.

Any such notice shall be deemed to have been given on:

- (i) in the case of a notice delivered to the regulated information service of a stock exchange, the day on which it is delivered to such stock exchange;
- (ii) in the case of a notice delivered to Euroclear and/or Clearstream, Luxembourg, the day on which it is delivered to Euroclear and/or Clearstream, Luxembourg;
- (iii) in the case of a notice delivered to Bloomberg L.P., the day on which it is delivered to Bloomberg L.P.; and
- (iv) in the case of a notice published in a newspaper, the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required.

If it is impossible or impractical to give notice in accordance with paragraphs (i), (ii) or (iii) of Note Condition 14(a) (*Notice to Noteholders*) then notice of the relevant matters shall be given in accordance with paragraph (iv) of Note Condition 14(a) (*Notice to Noteholders*).

Any notices given to the Noteholders by the Issuer or the Trustee shall also be sent concurrently to the Swap Counterparty.

#### (b) *Other Methods*

The Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and provided that notice of that other method is given to the Noteholders in the manner required by the Trustee.



(c) ***Notices to Irish Stock Exchange and Rating Agencies***

A copy of each notice given in accordance with this Note Condition 14 (*Notice to Noteholders*) shall be provided to the Rating Agencies and, for so long as the Notes are listed on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, the Irish Stock Exchange.

(d) ***Noteholder Notices***

Any Verified Noteholder shall be entitled from time to time to request the Cash/Bond Administrator to post a notice on its investor reporting website requesting other Verified Noteholders of any class or classes to contact it subject to and in accordance with the following provisions.

Following receipt of a request for the publication of a notice from a Verified Noteholder (the “**Initiating Noteholder**”), the Cash/Bond Administrator (or the Standby Cash/Bond Administrator subject to the Standby Cash/Bond Administrator receiving confirmation from the Cash/Bond Administrator that such person is a Verified Noteholder pursuant to Note Condition 11(g) (*Evidence of Notes*) above)) shall publish such notice on its investor reporting website as an addendum to any Performance Report or other report to Noteholders due for publication within five Business Days of receipt of the same (or, if there is no such report, through a special notice for such purpose as soon as is reasonably practical after receipt of the same) **provided that** such notice contains no more than:

- (i) an invitation to other Verified Noteholders (or any specified class or classes of the same) to contact the Initiating Noteholder;
- (ii) the name of the Initiating Noteholder and the address, phone number, website or email address at which the Initiating Noteholder can be contacted; and
- (iii) the date(s) from, on or between which the Initiating Noteholder may be so contacted.

The Cash/Bond Administrator or the Standby Cash/Bond Administrator (as the case may be) shall not request any further or different information through this mechanism.

The Cash/Bond Administrator or the Standby Cash/Bond Administrator (as the case may be) shall have no responsibility or liability for the contents, completeness or accuracy of any such published information and shall have no responsibility (beyond publication of the same in the manner described above) for ensuring Noteholders receive the same.

## **14 Governing Law**

The Transaction Documents and the Notes 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.

## **15 European Economic and Monetary Union**

(a) ***Notice of redenomination***

The Issuer may, without the consent of the Noteholders, on giving at least 30 days’ prior notice to the Noteholders, the Trustee and the Principal Paying Agent, designate a date as a redenomination date (the “**Redenomination Date**”), being an Interest Payment Date under the Notes falling on or after the date on which the United Kingdom becomes a Participating Member State.

(b) ***Redenomination***

Notwithstanding the other provisions of these Note Conditions, with effect from the Redenomination Date:

- (i) the redenominated notes (the “**Redenominated Notes**”) shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Redenominated

Note equal to the principal amount of that Redenominated Note in pounds sterling, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations), **provided, however, that**, if the Issuer determines, with the agreement of the Trustee, that then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Principal Paying Agent of such deemed amendments;

- (ii) if Redenominated Notes have been issued in definitive form:
  - (A) the payment obligations contained in all Redenominated Notes denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Note Condition 16 (*European Economic and Monetary Union*)) shall remain in full force and effect; and
  - (B) new Redenominated Notes denominated in Euro will be issued in exchange for Redenominated Notes denominated in sterling in such manner as the Issuer may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Redenominated Notes (other than, unless the Redenomination Date is on or after such date as the sterling ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities; and
- (iv) a Redenominated Note relating thereto may only be presented for payment on a day which is a business day in the place of presentation.

In this Note Condition 16 (*European Economic and Monetary Union*), “**Euro Exchange Date**” means the date on which the Issuer gives notice to the Noteholders and the Trustee (such notice, the “**Euro Exchange Notice**”) that replacement Notes denominated in Euro are available for exchange (**provided that** such Notes are available) and “**business day**” means, in respect of any place of presentation, any day which is a day on which commercial banks are open for general business in such place of presentation.

## 16 Privity of Contract

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the Notes but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 17 Interpretation

In these Note Conditions:

“**Appointee**” means any delegate, agent, nominee, custodian, attorney or manager appointed by the Trustee pursuant to the provisions of the Trust Deed or the Deed of Charge (as the case may be);

“**Business Day**” means, a day on which commercial banks and foreign exchange markets settle payments in London and Dublin;

“**EMU**” means the European Economic and Monetary Union;

“**Enforcement Notice**” means a notice given by the Trustee to the Issuer under Note Condition 9 (*Events of Default*) of the Notes;

“**Euro**” means the single currency introduced at the start of the third stage of EMU pursuant to the Treaty;

“**Eurozone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam;

“**Extraordinary Resolution**” means:

- (a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders,

and (in the circumstances set out in Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) an Extraordinary Resolution (other than in respect of a Notes Basic Terms Modification) will pass unless 10 per cent. or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution within 40 days after the date on which a notice containing the text of such Extraordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such class in accordance with the provisions of Note Condition 14 (*Notice to Noteholders*) by the Issuer, the Trustee or the Cash/Bond Administrator, and for so long as the Notes are listed on the Irish Stock Exchange, by making it available to any Regulatory Information Service maintained by the Irish Stock Exchange;

“**Most Senior Class**” means the A Notes for so long as there are any A Notes outstanding; thereafter the B Notes for so long as there are any B Notes outstanding; thereafter the C Notes for so long as there are any C Notes outstanding; thereafter the D Notes for so long as there are any D Notes outstanding; thereafter the E Notes for so long as there are any E Notes outstanding; thereafter the X Notes for so long as there are any X Notes outstanding thereafter the Z Notes for so long as there are any Z Notes outstanding; and thereafter the Certificates for so long as there are any Certificates outstanding;

“**Notes Basic Terms Modification**” means any modification to (a) the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (b) any reduction of the amount due in respect of or cancellation of the principal amount of, or interest on or variation of the method of calculating the rate of interest on, the Notes, (c) the priority of payment of interest or principal on the Notes, (d) the currency of payment of the Notes, (e) the definition of Notes Basic Terms Modification or (f) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Notes Basic Terms Modification or to pass an Extraordinary Resolution;

“**Ordinary Resolution**” means:

- (a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 50.1 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1 per cent. of the votes cast on such poll; or

- (b) a resolution in writing signed by or on behalf of the holders of not less than 50.1 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders,

and (in the circumstances set out in Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*)) an Ordinary Resolution will pass unless 15 per cent. or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Ordinary Resolution within 40 days after the date on which a notice containing the text of such Ordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such Class in accordance with the provisions of Note Condition 14 (*Notice to Noteholders*) by the Issuer, the Trustee or the Cash/Bond Administrator and for so long as the Notes are listed on the Irish Stock Exchange, by making it available to any Regulatory Information Service maintained by the Irish Stock Exchange;

“**Participating Member State**” means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

“**Performance Report**” means the quarterly performance report substantially in the form scheduled as Schedule 2 (*Form of Reports*) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer and KMC;

“**Rating Agencies**” Moody’s and Fitch and “**Rating Agency**” means any of them;

“**Rating Agency Confirmation**” means written confirmation from each Rating Agency (or certification from the Issuer to the Trustee that the Issuer has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in the then current ratings of each Class of Notes rated thereby being qualified, downgraded or withdrawn and, if relevant, the Issuer delivers a copy of each such confirmation to the Trustee, or the Issuer certifies in writing that the Rating Agencies then rating the Notes have been informed of the proposed modification and none of the Rating Agencies have indicated that such modification would result in a qualification, downgrade or withdrawal of the then current ratings of each Class of Notes rated thereby; and

“**Treaty**” means the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

The Certificates are constituted by a trust deed (as amended or modified from time to time, the “**Trust Deed**”) dated on or about 28 April 2016 (the “**Issue Date**”) between the Issuer and Wells Fargo Trust Corporation Limited (the “**Trustee**”) as trustee for the holders of the Certificates (the “**Certificateholders**”). Any reference in these terms and conditions (the “**Certificates Conditions**”) shall be a reference to the Residual Certificates and the holders thereof.

These Certificates Conditions include summaries of, and are subject to, the detailed provisions of (1) the Trust Deed, which includes the form of the Certificates, (2) the paying agency agreement (the “**Paying Agency Agreement**”) dated the Issue Date relating to the Certificates between the Issuer, the Trustee, Citibank, N.A., London Branch as agent bank (the “**Agent Bank**”), Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”) and the other paying agents named in it (together with the Principal Paying Agent and any other or further paying agent appointed under the Paying Agency Agreement, the “**Paying Agents**” and together with the Agent Bank, the “**Agents**”), (3) the deed of charge and assignment (the “**Deed of Charge**”) dated the Issue Date between the Issuer and the Trustee, (4) the cash/bond administration agreement (the “**Cash/Bond Administration Agreement**”) dated the Issue Date between, *inter alios*, the Issuer and Kensington Mortgage Company Limited (the “**Cash/Bond Administrator**”) and (5) the retention letter (the “**Retention Letter**”) dated the Issue Date between, among others, the Issuer and Kayl Holdco S.à r.l.

In these Certificates Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the Master Definitions Schedule dated on or about the Issue Date and signed for the purpose of identification by the Issuer and a Seller.

Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Cash/Bond Administration Agreement, the Master Definitions Schedule and the other Transaction Documents are available for inspection during usual business hours at the specified offices from time to time of the Principal Paying Agent. The Certificateholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Master Definitions Schedule and the other Transaction Documents.

### 1 Form, Denomination and Title

#### (a) *Form and denomination*

- (i) Each Certificate will initially be represented by a global certificate in registered form (a “**Global Certificate**”).
- (ii) For so long as any of the Certificates are represented by a Global Certificate, transfers and exchanges of beneficial interests in such Global Certificate and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear or Clearstream, Luxembourg, as appropriate. The Global Certificate will be deposited with, and registered in the name of, a nominee of a common depository (the “**Common Depository**”).
- (iii) A Global Certificate will be exchanged for the relevant Certificate in definitive registered form (such exchanged Global Certificate in definitive registered form, the “**Definitive Certificates**”) only if either of the following applies:
  - (A) in the case of a Global Certificate held in Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of

14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; or

- (B) as a result of any amendment to, or change in (A) the laws or regulations of the United Kingdom or any political sub-division therein or thereof having power to tax or (B) the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is, or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Certificates which would not be required if the Certificates were in definitive form.
- (iv) If Definitive Certificates are issued in respect of Certificates originally represented by a Global Certificate, the beneficial interests represented by such Global Certificate shall be exchanged by the Issuer for the relevant Certificates in registered definitive form.
- (v) Definitive Certificates will be serially numbered and will be issued in registered form only.
- (vi) References to "**Certificates**" in these Certificates Conditions shall include the Global Certificate and the Definitive Certificates, and references to "**Certificateholders**" means the persons holding Certificates.

(b) ***Title***

- (i) The person registered in the Register as the holder of any Certificate will (to the fullest extent permitted by applicable law) 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 Certificate regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Certificate.
- (ii) The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Certificates and the particulars of the Certificates held by them and of all transfers and redemptions of the Certificates.
- (iii) No transfer of a Certificate will be valid unless and until entered on the Register.
- (iv) Transfers and exchanges of beneficial interests in the Global Certificate and any Definitive Certificates and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Certificates and the detailed regulations concerning transfers of such Certificates contained in the Agency Agreement and the Trust Deed. In no event will the transfer of a beneficial interest in a Global Certificate or the transfer of a Definitive Certificate be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void ab initio and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Certificate who so requests (and who provides evidence of such holding where the Certificates are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.
- (v) A Definitive Certificate, may be transferred in whole or in part upon the surrender of the relevant Definitive Certificate, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Certificate, a new Definitive Certificate, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.

- (vi) Each new Definitive Certificate, to be issued upon transfer of Definitive Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Certificate, to such address as may be specified in such request.
- (vii) Registration of Definitive Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

## 2 Status, Security and Administration

- (a) The Certificates constitute direct, secured and unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Certificates Condition 7 (*Enforcement of Security, Limited Recourse and Non-Petition*).

The Certificates will at all times rank without preference or priority *pari passu* amongst themselves.

- (i) As regards payments on the X Notes, the Z Notes and the Certificates:
  - (A) prior to (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments of interest and principal in respect of the X Notes, the Z Notes and payments in respect of the Certificates shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments;
  - (B) following (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, payments in respect of the X Notes, the Z Notes and the Certificates will be made in accordance with the Post-Enforcement Priority of Payments;
  - (C) payments in respect of the X Notes will only be payable to the extent there are residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments (or residual funds under the Post-Enforcement Priority of Payments, if applicable); and
  - (D) payments in respect of the Z Notes will only be payable (i) to the extent there are residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments (or residual funds under the Post-Enforcement Priority of Payments, if applicable) and (ii) the A Notes to the D Notes (inclusive) have first been repaid in full; and
  - (E) payments in respect of the Certificates shall only be payable (a) out of residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments and (b) at any time out of residual Available Principal Funds (or, in either case, after (i) the date on which the Trustee serves an Enforcement Notice on the Issuer pursuant to Note Condition 9 (*Events of Default*) declaring the Notes to be due and repayable or (ii) the occurrence of a Redemption Event, under the Post-Enforcement Priority of Payments).
- (ii) For the avoidance of doubt any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments will be payable to the X Notes, the Z Notes and the Certificates. As a result there may be insufficient funds or no funds available to make payments on the X Notes, the Z Notes and/or the Certificates.

- (iii) An amount equal to £1,200,000 shall on the Issue Date be credited to a separate ledger within the Transaction Account (the “**Start-Up Costs Ledger**”) for the payment by the Issuer of such Issuer Costs and Expenses. Any amount standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the second Interest Payment Date shall constitute Available Revenue Funds and be applied in accordance with the applicable Priority of Payments.

(b) **Security**

As security for the payment of all monies payable in respect of the Certificates and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any Receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the to the Legal Title-Holder, the Legal Title-Holder Facilitator, Mortgage Administrator and the Mortgage Administration Facilitator under the Mortgage Administration Agreement, the Cash/Bond Administrator under the Cash/Bond Administration Agreement, the Standby Cash/Bond Administrator under the Standby Cash/Bond Administration Agreement the Principal Paying Agent and Agent Bank under the Paying Agency Agreement, the Account Bank under the Bank Agreement, the Collection Accounts Provider under the Collection Account (Initial) Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, the R Collection Account Agreement and the R Collection Account Beneficiary Accession Agreement, the R Collection Account Trustee Accession Agreement, the Swap Counterparty under the Swap Agreement, the Corporate Services Provider under the Corporate Services Agreement, the Paying Agents under the Paying Agency Agreement, the GIC Provider under the Bank Agreement, the Joint Lead Managers under the Note Purchase Agreement and any other party which is, or accedes to the Deed of Charge as a Secured Party, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) first fixed equitable charges and security in favour of the Trustee over the Issuer’s present and future right, title, benefit and interest in, to and under the Loans, the Mortgages and their related Collateral Security;
- (ii) an equitable assignment in favour of the Trustee of the Issuer’s interests in the Insurance Contracts to the extent that they relate to the Loans;
- (iii) an assignment in favour of the Trustee of the Issuer’s right, title, interest and benefit in, to and under the Bank Agreement, the Collection Account (Initial) Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, the R Collection Account Agreement, the R Collection Account Beneficiary Accession Agreement, the R Collection Account Trustee Accession Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Collection Account (Initial) Declaration of Trust, the Main Collection Account Declaration of Trust, the F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, the Corporate Services Agreement, the Deed Poll, the Deed of Charge, the Mortgage Administration Agreement, the Kayl/Issuer Mortgage Sale Agreement, the KWL/Issuer Mortgage Sale Agreement, the Retention Letter, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement, the Swap Agreement, the Swap Collateral Account Bank Agreement and any other agreement entered into between the Issuer and a secured party to the Deed of Charge (the “**Charged Obligation Documents**”);
- (iv) a first fixed charge in favour of the Trustee over (x) the Issuer’s interest in the Bank Accounts and any Authorised Investments, (y) the Issuer’s beneficial interest in the Collection Accounts



and (z) any other accounts with any bank or financial institution in which the Issuer now or in the future has an interest (to the extent of its interest); and

- (v) a first floating charge in favour of the Trustee (ranking after the security referred to in paragraphs (i) to (iv) (inclusive) above) over the whole of the undertaking, property, assets and rights of the Issuer.

(c) ***Pre-Enforcement Revenue Priority of Payment***

Prior to (i) the service of an Enforcement Notice or (ii) the occurrence of a Redemption Event, on each Interest Payment Date, the Cash/Bond Administrator shall apply an amount equal to the Available Revenue Funds, which shall include for the avoidance of doubt:

- (i) interest earned pursuant to the Bank Agreement in respect of the GIC Account for the Determination Period immediately preceding the Determination Date and interest received on the Transaction Account for the Determination Period immediately preceding the relevant Determination Date;
- (ii) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;
- (iii) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;
- (iv) any amounts received by the Issuer under the Swap Agreement or any replacement Swap Agreement on the relevant Interest Payment Date (excluding Swap Excluded Receivable Amounts and amounts standing to the credit of the Issuer Profit Ledger, any amounts credited to the Swap Collateral Accounts and any Swap Collateral Accounts surplus);
- (v) any General Reserve Fund Excess Amount;
- (vi) any amount standing to the credit of the General Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (vii) and (viii) below) in respect thereof;
- (vii) for so long as there are any A Notes or, subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes, B Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (vi) above but excluding paragraph (viii) below);
- (viii) such amounts of Available Principal Funds on the relevant Determination Date if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be (i) a Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) and/or (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the C Notes and the D Notes, in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (v) and (vii) above). Any such amount may only be used for payment of Senior Fees and interest on the A Notes, the B Notes, the C Notes and the D Notes and not any other amounts in the Pre-Enforcement Revenue Priority of Payments; and
- (ix) on the second Interest Payment Date, the balance, if any, standing to the credit of the Start-Up Costs Ledger,

but excluding any Swap Excluded Receivable Amounts, as at the immediately preceding Determination Date in making the following payments in the following order of priority, but in each case only to the extent that all payments of a higher priority have been made in full (the “**Pre-Enforcement Revenue Priority of Payments**”):

- (i) *first*, to pay *pro rata* (I) when due the remuneration payable to the Trustee (plus VAT, if any) and any fees (including legal fees), costs, charges, liabilities and expenses incurred by and/or payable to it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together or any other documents entered into by the Trustee in its capacity as trustee under the Trust Deed or the Deed of Charge or either or both of them with interest as provided in the Trust Deed or the Deed of Charge or either or both of them and (II) any amounts due and payable to any Receiver and any Appointee of the Trustee in relation to the Transaction Documents;
- (ii) *second*, to pay *pro rata* when due (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Interest Payment Date and prior to the next Interest Payment Date and to provide for the Issuer’s liability or possible liability for corporation tax to the extent not payable from the Issuer Profit; and (b) an amount equal to any premia in respect of Insurance Contracts;
- (iii) *third*, to pay *pro rata* and *pari passu*:
  - (A) (A) if the Mortgage Administration Agreement has not been terminated (except to the extent already paid to the Mortgage Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Issue Date) the servicing fee due under the Mortgage Administration Agreement, comprising: (i) the Monthly Servicing Fee payable to the Mortgage Administrator in respect of its performance of the Services (exclusive of value added tax, if any) under the Mortgage Administration Agreement such fee being up to 0.25 per cent. per year (exclusive of VAT, if any) of the average Balance of each of the Loans in the Mortgage Pool on the last day of each calendar month together with costs, expenses and various sundry fees properly incurred by the Mortgage Administrator in accordance with the Mortgage Administration Agreement; and (ii) the Quarterly Servicing Fee payable to the Legal Title-Holder in respect of its performance of the Legal Title-Holder Duties (exclusive of value added tax, if any) such fee being 0.05 per cent. per year (exclusive of value added tax, if any) of the average aggregate Balance of each of the Loans in the Mortgage Pool as calculated on the first day of each calendar month together with costs and expenses properly incurred by the Legal Title-Holder in accordance with the Mortgage Administration Agreement;
  - (B) the cash/bond administration fee (exclusive of value added tax, if any), payable under the Cash/Bond Administration Agreement to the Cash/Bond Administrator, such fee being up to a maximum of the product of 0.02 per cent. and the aggregate Principal Amount Outstanding of all the Notes on the first day of each Interest Period immediately preceding the said Interest Payment Date divided by four in respect of each full Interest Period together with costs and expenses incurred by the Cash/Bond Administrator in accordance with the Cash/Bond Administration Agreement;
  - (C) if the Cash/Bond Administration Agreement has not been terminated and prior to the Standby Cash/Bond Administrator performing its obligations under the Standby Cash/Bond Administration Agreement and stepping in as Cash/Bond Administrator

(except to the extent already paid to the Standby Cash/Bond Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Issue Date) the standby cash/bond administration fee (exclusive of value added tax, if any), payable under the Standby Cash/Bond Administration Agreement to the Standby Cash/Bond Administrator in respect of each full Interest Period with costs and expenses incurred by the Standby Cash/Bond Administrator in accordance with the Standby Cash/Bond Administration Agreement;

- (D) amounts due (plus value added tax, if any) and any fees (including legal fees), costs, charges, liabilities, and expenses incurred by it to the Paying Agents and Agent Bank under the Paying Agency Agreement, the Account Bank under the Bank Agreement and the Collection Accounts Provider under the Collection Account (Initial) Agreement, the Main Collection Account Agreement (and to the extent relating to the collections which relate to Loans beneficially owned by the Issuer), the F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, the R Collection Account Agreement, the R Collection Account Beneficiary Accession Agreement and the R Collection Account Trustee Accession Agreement;
  - (E) amounts due and payable (plus value added tax, if any) to the Corporate Services Provider under and in accordance with the Corporate Services Agreement and the Mortgage Administration Facilitator and the Legal Title-Holder Facilitator under the Mortgage Administration Agreement;
  - (F) amounts due and payable to the GIC Provider under the Bank Agreement; and
  - (G) amounts due and payable to the Swap Collateral Account Bank under the Swap Collateral Account Bank Agreement;
- (iv) *fourth*, to retain an amount equal to the Issuer Profit, which shall be credited to the Issuer Profit Ledger;
  - (v) *fifth*, in, or towards payment of any amounts to the Swap Counterparty in respect of a Swap Agreement (other than any Swap Subordinated Amounts which are due and payable under item (xxi) below or Swap Excluded Payable Amounts which shall be discharged in accordance with the applicable Swap Agreement and the Transaction Documents);
  - (vi) *sixth*, to pay *pro rata* and *pari passu* amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders);
  - (vii) *seventh*, amounts to be credited to the A Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the A Principal Deficiency Ledger has reached zero;
  - (viii) *eighth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders);
  - (ix) *ninth*, amounts to be credited to the B Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the B Principal Deficiency Ledger has reached zero;
  - (x) *tenth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders);

- (xi) *eleventh*, amounts to be credited to the C Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the C Principal Deficiency Ledger has reached zero;
- (xii) *twelfth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders);
- (xiii) *thirteenth*, amounts to be credited to the D Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the D Principal Deficiency Ledger has reached zero;
- (xiv) *fourteenth*, amounts to be credited to the General Reserve Fund Ledger, up to the General Reserve Fund Required Amount;
- (xv) *fifteenth*, amounts to be credited to the E Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Note Condition 5 (*Redemption*)) until the balance of the E Principal Deficiency Ledger has reached zero;
- (xvi) *sixteenth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders);
- (xvii) *seventeenth*, to pay amounts (other than in respect of principal) payable in respect of the X Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X Noteholders);
- (xviii) *eighteenth*, to pay principal *pari passu* and *pro rata* to the holders of the X Notes;
- (xix) *nineteenth*, to pay amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Z Noteholders);
- (xx) *twentieth*, to pay principal *pari passu* and *pro rata* to the holders of the Z Notes (provided that while the A Notes to the D Notes (inclusive) are outstanding no repayment of principal under the Z Notes shall be made));
- (xxi) *twenty first*, in or towards payment according to the amount thereof and in accordance with the terms of the Swap Agreement to the Swap Counterparty of any Swap Subordinated Amounts (other than Swap Excluded Payable Amounts);
- (xxii) *twenty second*, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the Certificates.

(d) ***Post-Enforcement Priority of Payments***

Following (i) the service of an Enforcement Notice or (ii) the occurrence of a Redemption Event, the Trustee shall, to the extent that such funds are available, use funds standing to the credit of the charged accounts, excluding Swap Excluded Receivable Amounts, any amounts credited to the Swap Collateral Accounts and any Swap Collateral Accounts surplus to the extent, in each case, utilised to discharge Swap Excluded Payable Amounts in accordance with the applicable Swap Agreement and excluding amounts standing to the credit of the Issuer Profit Ledger, to make payments in the following order of priority pursuant to and in accordance with the Deed of Charge or, after the occurrence of a Redemption Event other than as a result of the service of an Enforcement Notice, the Issuer (or the Cash/Bond Administrator) shall, to the extent that such funds are available, use funds standing to the credit of the Transaction Account and the GIC Account (the “**Post-Enforcement Priority of Payments**”):

- (i) *first*, to pay, *pro rata*, any remuneration then due and/or payable to the Trustee, any receiver or Appointee of the Trustee and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by such receiver together with interest thereon and to pay all amounts due and/or payable to the Trustee in respect of the Trustee's remuneration, fees (including legal fees), costs, charges, losses, damages, proceedings, claims, demands, expenses and liabilities due to the Trustee (plus value added tax, if any);
- (ii) *second*, to pay, *pro rata* and *pari passu*, the fees, costs, expenses and liabilities due to the Mortgage Administrator, the Mortgage Administration Facilitator, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Paying Agents, the Legal Title-Holder, the Legal Title-Holder Facilitator, the Agent Bank, the Account Bank, the Swap Collateral Account Bank, the Swap Collateral Account Bank, the Collection Accounts Provider, the Corporate Services Provider, the GIC Provider, the Joint Lead Managers and the Arranger;
- (iii) *third*, to retain an amount equal to the Issuer Profit, which shall be credited to the Issuer Profit Ledger;
- (iv) *fourth*, to pay amounts payable to the Swap Counterparty (other than any Swap Subordinated Amounts which are due and payable under item (x) below or any Swap Excluded Payable Amounts which shall be discharged in accordance with the applicable Swap Agreement and the Transaction Documents);
- (v) *fifth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the A Noteholders in respect of principal on the A Notes until the A Notes are redeemed in full.
- (vi) *sixth*, to pay, *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the B Noteholders in respect of principal on the B Notes until the B Notes are redeemed in full;
- (vii) *seventh*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the C Noteholders in respect of principal on the C Notes until the C Notes are redeemed in full;
- (viii) *eighth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the D Noteholders in respect of principal on the D Notes until the D Notes are redeemed in full;

- (ix) *ninth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the E Noteholders in respect of principal on the E Notes until the E Notes are redeemed in full;
- (x) *tenth*, to pay to the Swap Counterparty any Swap Subordinated Amounts (other than Swap Excluded Payable Amounts);
- (xi) *eleventh*, to pay amounts owing to any third parties (if any) including any tax payable by the Issuer (other than amounts payable out of Issuer Profit);
- (xii) *twelfth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the X Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the X Noteholders in respect of principal on the X Notes until the X Notes are redeemed in full;
- (xiii) *thirteenth*, to pay *pro rata* and *pari passu*:
  - (A) amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Z Noteholders) in accordance with Note Condition 4 (*Interest*); and
  - (B) amounts payable to the Z Noteholders in respect of principal on the Z Notes until the Z Notes are redeemed in full;
- (xiv) *fourteenth*, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the Certificates.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Note Condition 9 (*Events of Default*)) **provided that** if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or Certificates, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts owing in respect of the Notes or Certificates, or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, 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 in respect of the Notes or Certificates.

(e) ***The Certificates***

Holders of the Certificates shall be entitled to receive their entitlement to the balance of amounts remaining following payments of all other items senior to the Certificates in the relevant Priorities of Payment.

### 3 Covenants of the Issuer

Save with the prior written consent of the Trustee or as expressly provided in or expressly envisaged by these Conditions, any of the Bank Agreement, the Swap Collateral Account Bank Agreement, the Collection

Account (Initial) Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, the R Collection Account Agreement, the R Collection Account Beneficiary Accession Agreement, the R Collection Account Trustee Accession Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Collection Account (Initial) Declaration of Trust, the Main Collection Account Declaration of Trust, the F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, the Swap Agreement, the Corporate Services Agreement, the Deed Poll, the Deed of Charge, the Master Definitions Schedule, the Mortgage Administration Agreement, the Note Purchase Agreement the Kayl/Issuer Mortgage Sale Agreement, the KWL/Issuer Mortgage Sale Agreement, the Retention Letter, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement and any other document agreed between the Issuer and the Trustee as being a Transaction Document (together, the “**Transaction Documents**”), the Issuer shall not, so long as any Certificates remain outstanding (as defined in the Trust Deed), *inter alia*:

(a) ***Negative Pledge***

create or permit to subsist any mortgage, security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) ***Restrictions on Activities***

(i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;

(ii) open nor have any interest in any account whatsoever with any bank or financial institution other than the Collection Accounts and Bank Accounts held with the Collection Accounts Provider and the Account Bank and the Swap Collateral Accounts with the Swap Collateral Account Bank, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Certificates Condition 2 (*Status, Security and Administration*) and where the Trustee receives an acknowledgement from such bank or financial institution of the security rights and interests of the Trustee and an agreement that it will not exercise any right of set-off it might otherwise have against the account in question;

(iii) have any subsidiaries or employees or premises; or

(iv) act as a director of any company;

(c) ***Dividends or Distributions***

pay any dividend or make any other distribution to its shareholders except from amounts standing to the credit of the Issuer Profit Ledger;

(d) ***Borrowings***

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;

(e) ***Merger***

consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

(f) ***Disposal of Assets***

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over or present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit

therein **provided that** the Issuer may (and may agree to) transfer, sell, lend, pledge, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein where the proceeds of the same are applied, *inter alia*, in or towards redemption of the Notes in accordance with the terms and conditions of the Notes and the terms of the Transaction Documents;

(g) ***Tax Grouping***

be (and never has been) a member of a VAT (Value Added Tax) group;

(h) ***Independent Director***

at any time have fewer than one independent director;

(i) ***Other***

permit any of the Transaction Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these Conditions, or permit any party to any of the Transaction Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

#### **4 Certificate Payments and Optional Redemption of the Notes**

(a) ***Right to Certificate Payments***

Each Certificate bears an entitlement to receive a Residual Payment.

(b) ***Payment***

Certificate Payments are payable in Sterling on each Interest Payment Date commencing on the first Interest Payment Date.

(c) ***Record Date***

Each payment in respect of a Certificate will be made to the person shown as the Certificateholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Global Certificate shall be the only person entitled to receive payments in respect of any Certificate represented by such Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

(d) ***Calculation of Certificate Payment Amount***

Upon or as soon as practicable prior to any Interest Payment Date, the Issuer shall calculate (or shall cause the Cash/Bond Administrator to calculate) the Certificate Payment Amount payable on each Certificate for the related Interest Payment Date.

(e) ***Calculations Final and Binding***

Each calculation by or on behalf of the Issuer of any Certificate Payment Amount shall, in the absence of any Breach of Duty (or in the case of the Cash/Bond Administrator, gross negligence, wilful default or fraud) be final and binding on all persons.



(f) ***Notification of Certificate Payment Amount and Interest Payment Date***

As soon as practicable, prior to each Interest Payment Date, the Issuer or, if acting in accordance with Certificates Condition 4(d) (*Calculations Final and Binding*), the Cash/Bond Administrator will cause each:

- (i) Certificate Payment Amount for the related Interest Payment Date; and
- (ii) after each Interest Determination Date, the Agent Bank will cause the Interest Payment Date next following the related Interest Period, to be notified to the Issuer, the Cash/Bond Administrator (as applicable), the Trustee, the Registrar and the Principal Paying Agent.

(g) ***Payments on business days***

If the due date for payment of any amount in respect of any Certificate is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place, and shall not be entitled to any further interest or other payment in respect of such delay. In this paragraph, “**business day**” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a sterling-denominated account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.

(h) ***Paying Agents***

The initial Paying Agent and its initial specified office is listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, **provided that** it will maintain a Principal Paying Agent.

The initial specified office of the Paying Agent is at:

*Principal Paying Agent*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Notice of any change in the Paying Agents or their specified offices will promptly be given to the Trustee and the Certificateholders in accordance with Certificates Condition 14 (*Notice to Certificateholders*).

(i) ***Incorrect Payments***

The Cash/Bond Administrator will, from time to time, notify Certificateholders in accordance with the terms of Certificates Condition 14 (*Notice to Certificateholders*) of any over-payment or under-payment of which it has actual notice made on any Interest Payment Date to any party entitled to the same pursuant to the Pre-Enforcement Priority of Payments. Following the giving of such a notice, the Cash/Bond Administrator shall rectify such over-payment or under-payment by increasing or, as the case may be decreasing payments to the relevant parties on any subsequent Interest Payment Date or Interest Payment Dates (if applicable) to the extent required to correct the same. Any notice of over-payment or under-payment pursuant to this Note Condition shall contain reasonable details of the amount of the same, the relevant parties and the adjustments to be made to future payments to rectify the same. Neither the Issuer nor the Cash/Bond Administrator shall have any liability to any person for making any such correction.

(j) ***Optional Redemption in Full of the Senior Notes, the X Notes and the Z Notes upon Sale of the Charged Property to the Certificateholders***

(i) Provided that:

- (A) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property pursuant to the Deed Poll (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) as would be required to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes; (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; and (III) pay any other costs associated with the exercise of the optional call; and
- (B) on or prior to the Interest Payment Date on which the relevant notice of optional redemption expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date on or after the Call Option Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Note Condition 14 (*Notice to Noteholders*) (which notice shall be irrevocable) (the "**notice of optional redemption**").

(ii) Provided that:

- (A) the aggregate Principal Amount Outstanding of the Senior Notes is less than or equal to 10 per cent. of the aggregate Principal Amount Outstanding of the Senior Notes upon issue;
- (B) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property to the holders of the Certificates (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) required to (I) redeem all of the Notes then outstanding in full together with accrued and unpaid interest on such Notes; (II) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date; (III) pay any other costs associated with the exercise of the optional call; and
- (C) on or prior to the Interest Payment Date on which such notice expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Note Condition 14 (*Notice to Noteholders*) (which notice shall be irrevocable).

## 5 Taxation

- (a) All payments in respect of the Certificates will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Certificates subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature or in connection with FATCA. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so

required to be withheld or deducted. None of the Issuer, the Principal Paying Agent, any other Paying Agent, nor any other person will be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction or in connection with FATCA.

- (b) For the purposes of paragraph (a) above, the Issuer will treat all payments made in respect of the Certificates as being subject to a requirement, in accordance with Chapter 6 Part 15 of the Income Tax Act 2007, to deduct a sum representing United Kingdom income tax at the basic rate, unless:
- (i) the Issuer reasonably believes that the person who is beneficially entitled to the payments in respect of the Certificates is a person to whom such payments may be made gross under the provisions of Chapter 11 Part 15 of the Income Tax Act 2007 and HM Revenue & Customs (or any successor thereto) (“HMRC”) has not issued a direction to the Issuer under section 931 of the Income Tax Act 2007 in relation to such payments; or
  - (ii) HMRC has confirmed to the Issuer (in a form which it can rely (acting reasonably)) that payments to be made to the holder of the relevant Certificates will not be treated as annual payments for the purposes of Chapter 6 Part 15 of the Income Tax Act 2007; or
  - (iii) each of the Issuer and the Trustee have received a legal opinion in a form and substance satisfactory to it stating that the payments made in respect of the Certificates should not be treated as annual payments for the purposes of Chapter 6 Part 15 of the Income Tax Act 2007 or otherwise should not be subject to any requirement to deduct or withhold United Kingdom income tax therefrom; or
  - (iv) the Issuer has received a direction from HMRC to make the payments in respect of the Certificates without deduction for or on account of United Kingdom income tax pursuant to the terms of a double tax treaty between the United Kingdom and the territory in which the Certificateholder is resident for tax purposes; or
  - (v) the Issuer is otherwise satisfied that payments in respect of the Certificates do not fall to be treated as annual payments for the purposes of Chapter 6 Part 15 of the Income Tax Act 2007 and/or no deduction for or on account of United Kingdom income tax is required by law to be made from payments in respect of Certificates for a reason other than those specified in (i) to (iv) above.

## 6 Events of Default

Subject to the other provisions of this Certificates Condition, each of the following events shall be treated as an “**Event of Default**” in relation to the Certificates.

- (i) The Issuer fails to pay a Certificate Payment within 10 Business Days following the due date for payment; or
- (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Certificates or the Trust Deed, as applicable, and, in any such case (except where the Trustee certifies that, such failure is (I) in the opinion of the Trustee, incapable of remedy or (II) in the opinion of the Trustee, capable of remedy but remains unremedied for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (v) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or
- (iv) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which

have previously been approved by the Trustee in writing or by a Certificates Extraordinary Resolution of the Certificateholders; or

- (v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or filing documents with the court or making an application for the appointment of an administrator or liquidator or serving a notice of intent to appoint an administrator) and such proceedings not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally; or
- (vi) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Certificates or the Transaction Documents.

**provided that**, in the case of each of the events described in sub-paragraph (ii), (iii) or (v) of this paragraph, the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class.

## 7 Enforcement of Security, Limited Recourse and Non-Petition

### (a) *Enforcement of Security*

At any time after an Enforcement Notice has been served, the Trustee may, in its absolute discretion and without further notice, (i) take such proceedings and/or other action or steps against or in relation to the Issuer or any other person as it may think fit to enforce the provisions of the Certificates, the Trust Deed, these Certificates Conditions and the other Transaction Documents to which it is a party, and (ii) take such steps as it may think fit to enforce the Security, but it shall not be bound to do so unless:

- (i) it shall have been directed by a notice in writing by holders of at least 25 per cent. in number of the Certificateholders: and
- (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Certificateholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

### (b) *Limited Recourse*

#### (i) *Enforcement of Security*

Only the Trustee may enforce the Security over the Charged Property in accordance with, and subject to the terms of, the Deed of Charge.

#### (ii) *Insufficient Recoveries*

If at any time following:

- (A) the occurrence of either:

- (1) the Interest Payment Date falling in February 2058 or any earlier date upon which all of the Notes of each Class and the Certificates are due and payable; or
  - (2) the service of an Enforcement Notice; and
- (B) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Post-Enforcement Priority of Payments,

the proceeds of such Realisation are insufficient, after the same have been allocated in accordance with the applicable priority of payments, to pay in full all claims ranking in priority to the Notes and Certificates and all amounts then due and payable under any class of Notes and Certificates then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (b) above) under such class of Notes (and any class of Notes junior to that class of Notes) shall, on the day following such application in full of the amounts referred to in paragraph (b) above, cease to be due and payable by the Issuer.

For the purposes of this Certificates Condition 7:

“**Realisation**” means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

“**Charged Property**” means the property of the Issuer which is subject to the Security.

(iii) *Certificateholder Acknowledgments*

Each Certificateholder, is deemed to accept and acknowledge that:

- (A) in the event of realisation or enforcement of the Charged Property, its right to obtain payment on the Certificates in full is limited to recourse against the undertaking, property and assets of the Issuer comprised in the Charged Property; and
- (B) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Certificateholder its proportion of the proceeds of realisation or enforcement of the Charged Property in accordance with the Post-Enforcement Priority of Payments and all claims in respect of any shortfall will be extinguished and discharged; and

(c) *Non-Petition*

No Certificateholder may take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing or for the appointment of a liquidator, receiver, administrative receiver, administrator, trustee, manager or similar officer in respect of the Issuer or over any or all of its assets or undertaking.

## 8 Meetings of Certificateholders; Modifications; Consents; Waiver

- (a) The Trust Deed contains provisions for convening separate or combined meetings of the Certificateholders to consider matters relating to the Certificates, including subject to Certificates Condition 8(e) (*Substitution*) the sanctioning by Certificates Extraordinary Resolution of a modification of any of these Certificates Conditions or any provisions of the other Transaction Documents.

- (b) Any Certificates Extraordinary Resolution or any Certificates Ordinary Resolution duly passed by a meeting of the Certificateholders shall be binding on all Certificateholders (whether or not they were present at the meeting at which such resolution was passed and whether or not voting).

No Certificates Extraordinary Resolution to approve any matter other than a Certificates Basic Terms Modification shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the Classes of Notes then outstanding ranking senior to the Certificates (to the extent that there are Notes ranking senior to the Certificates) unless, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of any Notes or it is sanctioned by an Extraordinary Resolution of the holders of such Notes. Except in certain circumstances the Trust Deed imposes no such limitations on the powers of the holders of any Class of Notes or Certificates the exercise of which will be binding on themselves and any junior Class of Notes or Certificates, irrespective of the effect on their interests.

(c) ***Quorum***

The quorum at any meeting of Certificateholders of a particular Class for passing:

- (i) a Certificates Extraordinary Resolution to approve a Certificates Basic Terms Modification, shall be two or more persons holding or representing, in aggregate, (x) not less than 75 per cent. of the outstanding Certificates for the initial meeting or (y) in relation to any adjourned meeting, not less than 25 per cent. of the outstanding Certificates;
- (ii) a Certificates Extraordinary Resolution to approve any matter other than a Certificates Basic Terms Modification, shall be two or more persons holding or representing, in aggregate, (x) more than 50 per cent. of the outstanding Certificates or (y) in relation to any adjourned meeting, any proportion of the Certificates which the persons constituting the quorum is holding or representing; and
- (iii) a Certificates Ordinary Resolution, shall be two or more persons holding or representing, in aggregate, not less than (x) 25 per cent. of the outstanding Certificates for the initial meeting and (y) in relation to any adjourned meeting, any proportion of the Certificates which the person constituting the quorum is holding or representing.

Subject to the provisions of the Trust Deed, the holder of the Global Certificate shall be treated as a Certificateholder for the purposes of constituting a quorum for the purposes of meeting the quorum requirements of a meeting of Certificateholders.

(d) ***Modification and Waiver***

The Trustee may agree, without the consent or sanction of any of, or any liability to, the Certificateholders, to:

- (i) (I) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation, and (II) any other modification (excluding a Certificates Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Notes of such Class, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class (other than any Noteholders of the Most Senior Class who have confirmed their consent in writing to the relevant modification, waiver or authorisation); or
- (ii) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class (other than any holders of the

Most Senior Class who have confirmed their consent in writing to the relevant waiver, authorisation or determination),

**provided that** the Trustee will not do so in contravention of an express direction given by a Certificates Extraordinary Resolution of holders of the Most Senior Class or a request made pursuant to Certificates Condition 6 (*Events of Default*). Any such modification, authorisation or waiver shall be binding on the Certificateholders and, if the Trustee so requires, the Issuer will arrange for it to be notified to the Certificateholders as soon as practicable.

The prior written consent of the Swap Counterparty is required to modify or supplement any provision of the Transaction Documents, the Notes Conditions or the Certificates Conditions if the Swap Counterparty determines, acting in a commercially reasonable manner, that such modification affects or would affect any of the following:

- (i) the Swap Counterparty's rights in relation to any security (howsoever described, and including as a result of changing the nature or the scope of, or releasing such security) granted by the Issuer in favour of the Trustee on behalf of the Secured Creditors;
- (ii) the definitions of Final Maturity Date, Available Revenue Funds, Swap Collateral Account, Swap Cash Collateral Account, the Swap Cash-Linked Collateral Account, Swap Securities Collateral Account, Swap Excluded Payable Amounts or Swap Excluded Receivable Amounts;
- (iii) the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;
- (iv) the provisions in the Transaction Documents or the Note Conditions setting out the method of calculation of amounts payable under the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments;
- (v) any amendment to Condition 5 (*Redemption*) of the Note Conditions or any additional redemption rights in respect of the Notes; or
- (vi) Clause 20.1.2 (*Modification*) of the Trust Deed.

The Issuer shall notify in writing the Swap Counterparty and the Trustee of any proposed modification or supplement to any provisions of the Transaction Documents, the Notes Conditions or the Certificate Conditions that may affect any of the items listed in the previous paragraph at least 21 days (exclusive of the day on which the notice is given and of the day that the modification or supplement is intended to be effected) prior to such modification or supplement being effected, notwithstanding any other provision of the Transaction Documents, the Notes Conditions or the Certificate Conditions. The Swap Counterparty may notify the Trustee and the Issuer in writing if it determines (acting in a commercially reasonable manner) that such modifications or supplement would affect any of the items listed in the previous paragraph. If the Issuer and the Trustee receive notification (the "**Notification**") from the Swap Counterparty that the Swap Counterparty has determined that the modification and/or supplement would not affect any of the items listed in the previous paragraph or that the Swap Counterparty otherwise consents to such modification and/or supplement, such modification and/or supplement may take effect at any time from and including the date of receipt of the Notification. If the Issuer and the Trustee do not receive any such determination or a Notification by the expiry of such notice period, the Swap Counterparty shall be deemed to have consented to such modification or supplement. If the Swap Counterparty has not received notice in accordance with this paragraph, the proposed modification or supplement shall not be effective.

The Trustee shall be obliged, without any consent or sanction of the Certificateholders 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 Certificates Basic

Terms Modification) to the Note Conditions, the Certificates 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 considers necessary in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Cash/Bond Administrator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Certificates Basic Terms Modification) to the Note Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Mortgage Administration Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Mortgage Administrator appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

The Trustee shall be obliged, without any consent or sanction of the Certificateholders or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Certificates Basic Terms Modification) to the Note Conditions, the Certificates Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security to or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to facilitate the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement, subject to receipt by the Trustee of a certificate issued by (i) the Issuer or (ii) the Legal Title-Holder Facilitator on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Legal Title-Holder appointed by the Issuer in accordance with the terms of the Mortgage Administration Agreement and have been drafted solely to that effect.

In respect of the amendments effected pursuant to this Certificates Condition 8(d) (*Modification and Waiver*), the Trustee shall, in relation only to its obligation to make an amendment related to EMIR or a replacement Mortgage Administrator or a replacement Legal Title-Holder, not consider the impact of such modifications on the interests of any Noteholders, Certificateholders, Secured Creditor or any other person and shall act and rely solely and without further investigation or enquiry on any certificate or evidence provided to it by the Issuer or relevant Transaction Party, as the case may be and shall not be liable to the Noteholders, the Certificateholders, any other Secured Creditors or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interest of such person.

Any such modifications permitted by this Certificate Condition 8(d) (*Modification and Waiver*) shall be binding on the Noteholders, Certificateholders and other Secured Creditors and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders and Certificateholders as soon as practicable thereafter in accordance with Note Condition 13 (*Notice to Noteholders*) and Certificates Condition 11 (*Notice to Certificateholders*). So long as the Rated Notes, or any of them, are rated by the Rating Agencies the Issuer shall notify each of the Rating Agencies of any modification made by it in accordance with this Certificate Condition 8(d) (*Modification and Waiver*) as soon as reasonably practicable thereafter.



The Trustee shall not be obliged to agree to any modification of the Trust Deed, the Note Conditions, the Certificates Conditions or any other Transaction Document which (in the sole opinion of the Trustee) would have the effect of: (x) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (y) increasing the obligations or duties, or decreasing the protections of the Trustee in the Transaction Documents, the Trust Deed and/or the Conditions.

(e) ***Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as are set out in the Trust Deed or as the Trustee may otherwise require, but without the consent of, or any liability to, the Certificateholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Certificates. In the case of such a substitution the Trustee may agree, without the consent of the Certificateholders to a change of the law governing Certificates and/or the Trust Deed **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the holders of the Most Senior Class.

(f) ***Evidence of Certificates***

Where for the purposes of these Certificates Conditions the Trustee or any other party to the Transaction Documents requires a Certificateholder holding Certificates through Euroclear or Clearstream, Luxembourg to establish its holding of the Certificates to the satisfaction of such party, such holding shall be considered to be established (and the Certificateholder in respect of which such holding is established shall be a “**Verified Certificateholder**”) if such Certificateholder provides to the requesting party with regard to the relevant date:

- (i) a Euclid Statement (in the case of Euroclear) or a Creation Online Statement (in the case of Clearstream, Luxembourg) in each case providing confirmation at the time of issue of the same of such person’s holding in the Certificates; and
- (ii) if the relevant Certificates are held through one or more custodians, a signed letter dated as of the date of the Euclid Statement or the Creation Online Statement from each such custodian confirming on whose behalf it is holding such Certificates such that the Trustee or any other party to the Transaction Documents is able to verify to its satisfaction the chain of ownership to the beneficial owner.

If in connection with verifying its holding the Trustee or any other party to the Transaction Documents requires a Certificateholder to temporarily block its Certificates in Euroclear or Clearstream, Luxembourg, such Certificateholder will be required to instruct Euroclear or Clearstream, Luxembourg (via its custodian) to do so.

(g) ***Entitlement of the Trustee***

In connection with the exercise of its functions (including but not limited to those referred to in this Certificates Condition 8 (*Meetings of Noteholders; Modifications; Consents; Waiver*)) the Trustee:

- (i) shall have regard to the interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Trustee shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders; and
- (ii) may, in determining whether or not a proposed action will be materially prejudicial to the Certificateholders, have regard to, among other things, a Rating Agency Confirmation.

## 9 Indemnification and Exoneration of the Trustee

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Legal Title-Holder and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator or the Standby Cash/Bond Administrator (as the case may be), the Legal Title-Holder or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Legal Title-Holder or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee. The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Cash/Bond Administrator or the Legal Title-Holder with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

## 10 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent, as listed in Certificates Condition 4(g) (*Paying Agents*) above, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (**provided that** the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 11 Notice to Certificateholders

For so long as the relevant Certificates are in global form, any notice to Certificateholders shall be validly given to the relevant Certificateholders if sent to the Clearing Systems for communication by them to the holders of the relevant Certificates and shall be deemed to be given on the date on which it was sent. If Definitive Residual Certificates are issued, any notice to the holders thereof shall be validly given if sent by first class mail to them at their respective addresses in the Register (or the first named of joint holders) and notice shall be deemed to have been given on the second Business Day after the date of the mailing.

The Trustee shall be at liberty to sanction some other method of giving notice to the Certificateholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and provided that notice of such other method is given to the Certificateholder in such manner as the Trustee shall require.

Any notices given to the Certificateholders by the Issuer or the Trustee shall also be sent concurrently to the Swap Counterparty.

## 12 Governing Law

The Transaction Documents and the Certificates 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.

### 13 Privity of Contract

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the Certificates but this does not affect any right or remedy of any person which exists or is available apart from that Act.

### 14 Interpretation

In these Certificates Conditions:

“**Appointee**” means any delegate, agent, nominee, custodian, attorney or manager appointed by the Trustee pursuant to the provisions of the Trust Deed or the Deed of Charge (as the case may be);

“**Business Day**” means, a day on which commercial banks and foreign exchange markets settle payments in London and Dublin;

“**Certificates Basic Terms Modification**” means any modification to (a) the priority of residual payments payable on the Certificates, (b) the currency of payment of the Certificates, (c) the definition of Certificates Basic Terms Modification, (d) the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to effect a Certificates Basic Terms Modification or to pass a Certificates Extraordinary Resolution or (e) the definition of Notes Basic Terms Modification;

“**Certificates Extraordinary Resolution**” means:

- (a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders;

“**Certificates Ordinary Resolution**” means:

- (a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 50.1 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 50.1 per cent. of the Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders;

“**EMU**” means the European Economic and Monetary Union;

“**Enforcement Notice**” means a notice given by the Trustee to the Issuer under Certificates Condition 6 (*Events of Default*) of the Certificates;

“**Euro**” means the single currency introduced at the start of the third stage of EMU pursuant to the Treaty;

“**Most Senior Class**” means the A Notes for so long as there are any A Notes outstanding; thereafter the B Notes for so long as there are any B Notes outstanding; thereafter the C Notes for so long as there are any C Notes outstanding; thereafter the D Notes for so long as there are any D Notes outstanding; thereafter the E Notes for so long as there are any E Notes outstanding; thereafter the X Notes for so long as there are any X Notes outstanding; thereafter the Z Notes for so long as there any Z Notes outstanding; and thereafter the Certificates for so long as there are any Certificates outstanding; and

**“Participating Member State”** means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty.

## UNITED KINGDOM TAXATION

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes (other than in relation to the comments below concerning stamp taxes). The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes and the stamp tax position of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

### **United Kingdom Withholding Tax**

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Main Securities Market of the Irish Stock Exchange are regarded as "listed on a recognised stock exchange" for these purposes.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

### **Stamp Duty and Stamp Duty Reserve Tax**

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on the transfer of a Rated Note in accordance with the terms of the Transaction Documents.

No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the issue of the Certificates.

United Kingdom stamp duty may be chargeable on any instruments transferring a Certificate (including where such Certificates are in definitive form) and Certificate Holders are advised to consult with their professional advisors in respect of matters relating to the acquisition and holding of the Certificates.

### **Other Rules Relating to United Kingdom Withholding Tax**

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Note Condition 11(f) (*Substitution*) or otherwise and does not consider the tax consequences of any such substitution.

## U.S. FOREIGN ACCOUNT TAX COMPLIANCE

FATCA imposes a reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a “**foreign financial institution**”, or “**FFI**” (as defined by FATCA)) that does not become a “**Participating FFI**” by entering into an agreement with the 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. Note: The Issuer considers itself to be an FFI.

Payments on the Notes and Certificates are not expected to be U.S. source payments. Therefore, it is expected that FATCA should only apply to the extent such payments are treated as foreign passthru payments. FATCA will apply to “**foreign passthru payments**” (a term not yet defined) on the later of 1 January 2019 or the date of publication in the Federal Register of final U.S. Treasury regulations defining the term foreign passthru payments. This withholding would potentially apply to payments in respect of (i) any Notes or Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the “**grandfathering date**”, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes or Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have entered into or have announced their intention to enter into intergovernmental agreements to facilitate the implementation of FATCA (each, an “**IGA**”). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs 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 account holders and investors to its home government or to the IRS. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being “**FATCA Withholding**”) from payments it makes. The United States and the United Kingdom have entered into an agreement (the “**US-UK IGA**”) based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-UK IGA, it does not anticipate that it will be 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 impose FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes or Certificates are made may be required to impose FATCA Withholding if (i) any FFI through or to which payment on such Notes or Certificates are made is not a Participating FFI or a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes or Certificates, neither the Issuer nor any Paying Agent nor any other person would, pursuant to the sections entitled “*Terms and Conditions of the Notes*” and “*Terms and Conditions of the Certificates*”, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

While the Notes and Certificates are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes or Certificates by the Issuer, any Paying Agent and the Common Safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be

unlikely to affect the Notes or Certificates. The documentation expressly contemplates the possibility that the Notes and Certificates may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes and definitive Certificates will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.**



## PURCHASE AND SALE

This Prospectus has been approved by the Central Bank of Ireland as the Irish competent authority under the Prospectus Directive. The Central Bank of Ireland has only approved this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list and trading on its regulated market.

The Joint Lead Managers, the Issuer and the Sellers have entered into a note purchase agreement (the “**Note Purchase Agreement**”) pursuant to which the Joint Lead Managers have agreed to purchase or procure purchasers for the Notes (other than the E Notes and the Z Notes) (the “**Subscribed Notes**”).

On the Issue Date, the Issuer will issue:

- (a) the A Notes at an issue price of 100 per cent. of the principal amount of the A Notes;
- (b) the B Notes at an issue price of 100 per cent. of the principal amount of the B Notes;
- (c) the C Notes at an issue price of 100 per cent. of the principal amount of the C Notes;
- (d) the D Notes at an issue price of 100 per cent. of the principal amount of the D Notes;
- (e) the E Notes at an issue price of 100 per cent. of the principal amount of the E Notes;
- (f) the X Notes at an issue price of 99.30 per cent. of the principal amount of the X Notes; and
- (g) the Z Notes at an issue price of 100 per cent. of the principal amount of the Z Notes.

On the Issue Date, the Issuer will also issue the Certificates. The E Notes and the Z Notes will be fully retained by Kayl Holdco. The Certificates will be initially fully retained by the Sellers and their affiliates.

The Issuer and (in respect of certain expenses only) the Sellers have agreed in the Note Purchase Agreement to reimburse and indemnify the Joint Lead Managers for certain of their expenses and liabilities in connection with the issue of Notes.

The Note Purchase Agreement is subject to a number of conditions and may be terminated by the Joint Lead Managers in certain circumstances prior to payment for the Subscribed Notes to the Issuer.

### **United Kingdom**

Each of the Joint Lead Managers has represented to and agreed with the Issuer that:

- (a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (b) 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 investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

### **United States**

The Notes and Certificates have not been and will not be registered under the Securities Act 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 under the Securities Act) except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (“**Regulation S**”).

Each of the Joint Lead Managers has agreed that, except as permitted by the Note Purchase Agreement, it will not offer, sell or deliver the Notes or Certificates (i) as part of their distribution at any time or (ii) otherwise

until 40 days after the later of the commencement of the offering of the Notes or Certificates and the Issue Date (the “**Distribution Compliance Period**”), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Notes or Certificates during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes or Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and Certificates, an offer or sale of the Notes or Certificates within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

In addition:

- (a) except to the extent permitted under U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”), (i) each Joint Lead Manager represents that it has not offered or sold, and agrees that during a 40-day restricted period it will not offer or sell, Notes or Certificates to a person who is within the United States or its possessions or to a United States person, and (ii) represents that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes or Certificates that are sold during the restricted period;
- (b) each Joint Lead Manager represents that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes or Certificates are aware that such Notes or Certificates may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it is a United States person, each Joint Lead Manager represents that it is acquiring the Notes for purposes of resale in connection with their original issue and if it retains Notes or Certificates for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D)(6); and
- (d) with respect to each affiliate that acquires from it notes for the purpose of offering or selling such Notes or Certificates during the restricted period, each Joint Lead Manager either (i) repeats and confirms the representations and agreements contained in clauses (a), (b) and (c) on its behalf or (ii) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in clauses (a), (b) and (c).

Terms used in clauses (a), (b), (c) and (d) have the meaning given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, including the TEFRA D Rules.

## **Ireland**

Each Joint Lead Manager has represented and agreed with the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes and Certificates, otherwise than in conformity with the provisions of S.I. No. 60 of 2007, European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) (“**MiFID Regulations**”), including, without limitation, Parts 6, 7 and 12 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes and Certificates otherwise than in conformity with the provisions of the Irish Companies Acts 1963 to 2013 (as amended), the Irish Central Bank Acts 1942 – 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Irish Central Bank Act 1989 (as amended);
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes and Certificates otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC)

Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank; and

- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes and Certificates otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

### **Public Offer Selling Restrictions under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each of the Joint Lead Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes or Certificates which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Joint Lead Managers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes or Certificates shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes and Certificates to the public” in relation to any Notes or Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes or Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Notes or Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

### **General**

Under the Note Purchase Agreement, each of the Joint Lead Managers has acknowledged that, save for making such applications and for having procured the delivery of a copy of the Prospectus for registration to the Central Bank, no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Notes and Certificates, or possession or distribution of the Prospectus (in preliminary or final form) or any amendment or supplement thereto or any other offering material relating to the Notes or Certificates in any country or jurisdiction where action for that purpose is required. Under the Note Purchase Agreement, each of the Joint Lead Managers has agreed to comply with all applicable laws and regulations in each jurisdiction in or from which it may offer or sell the Notes and Certificates or have in its possession or distribute the Prospectus (in preliminary or in final form) or any amendment or supplement thereto or any other offering material.

Attention is drawn to the information set out on the inside front cover of this Prospectus.

## GENERAL INFORMATION

- (1) The issue of the Notes and Certificates has been authorised by resolution of the Board of Directors of the Issuer passed on 21 April 2016.
- (2) Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list and to trading on its regulated market. There can be no assurance that any such approval will be granted or, if granted, that such listing will be maintained. The Main Securities Market of the Irish Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive.
- (3) The Notes and Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	<b>Common Code</b>	<b>ISIN (Clearstream/ Euroclear)</b>
A Notes .....	138782883	XS1387828830
B Notes .....	138783049	XS1387830497
C Notes .....	138783057	XS1387830570
D Notes .....	138783081	XS1387830810
E Notes.....	138783103	XS1387831032
X Notes .....	138783146	XS1387831461
Z Notes.....	138783588	XS1387835884
Certificates .....	138800547	XS1388005479

- (4) The auditors of the Issuer, Ernst & Young LLP, Chartered Accountants, are members of the Institute of Chartered Accountants of England and Wales. The financial year end of the Issuer is 31 March. The first statutory financial statements of the Issuer will be prepared for the period ended 31 March 2017.
- (5) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings which may have or have had since its date of incorporation a significant effect on its financial position and profitability nor is the Issuer aware that any such proceedings are pending or threatened.
- (6) In relation to this transaction, the Issuer, on or about the date of this Prospectus, has entered into the Note Purchase Agreement referred to under “*Purchase and Sale*” above which is, or may be, material.
- (7) Since 10 February 2016 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or the financial position of the Issuer.
- (8) The Issuer will:
  - (a) from the Issue Date until the earlier of redemption in full of the last outstanding Note or the Final Maturity Date, provide ongoing performance data on this transaction (including quarterly investor reports (each of which shall contain a glossary of the terms used in such report, whether by reference to this Prospectus or otherwise) and other statistical information regarding the securities to be admitted to trading and the performance of the Mortgage Pool (including anonymised loan level data)), being available at [www.ctslink.com](http://www.ctslink.com) in electronic form for investors, potential investors and firms that generally provide services to investors. The contents of this website are for information purposes only and do not form part of this Prospectus; and

- (b) in the first investor report, disclose the amount of the Notes which are either:
  - (I) privately-placed with investors which are not the Originator or entities affiliated with the Originator (the “**Originator’s Group**”);
  - (II) retained by a member of the Originator’s Group; and
  - (III) publicly-placed with investors which are not in the Originator’s Group; and
 in relation to any amount initially retained by a member of the Originator’s Group, but subsequently placed with investors which are not in the Originator’s Group, it will (to the extent permissible) disclose such placement in the next investor report.
  
- (9) From the Issue Date until the earlier of redemption in full of the last outstanding Note or the Final Maturity Date, copies of the following documents may be inspected in electronic or physical form during usual business hours at the registered office of the Issuer or online at [www.ctslink.com](http://www.ctslink.com) and will be available in such manner for at least as long as the Notes are admitted to listing on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require:
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) drafts (subject to modification) or, if available, final versions of the following documents:
    - (i) the Master Definitions Schedule;
    - (ii) the Bank Agreement;
    - (iii) Swap Collateral Account Bank Agreement;
    - (iv) the Collection Account (Initial) Agreement;
    - (v) the Main Collection Account Agreement;
    - (vi) the F Collection Account Agreement;
    - (vii) the F Collection Account Beneficiary Accession Agreement;
    - (viii) the F Collection Account Trustee Accession Agreement;
    - (ix) the R Collection Account Agreement;
    - (x) the R Collection Account Beneficiary Accession Agreement;
    - (xi) the R Collection Account Trustee Accession Agreement;
    - (xii) the Cash/Bond Administration Agreement;
    - (xiii) the Standby Cash/Bond Administration Agreement;
    - (xiv) the Collection Account (Initial) Declaration of Trust;
    - (xv) the Corporate Services Agreement;
    - (xvi) the Deed Poll;
    - (xvii) the Swap Agreement;
    - (xviii) the Main Collection Account Declaration of Trust;
    - (xix) the F Collection Account Declaration of Trust;
    - (xx) the F Collection Account Supplemental Deed of Declaration of Trust;
    - (xxi) the R Collection Account Declaration of Trust;

- (xxii) the R Collection Account Supplemental Deed of Declaration of Trust;
- (xxiii) the Deed of Charge;
- (xxiv) the Mortgage Administration Agreement;
- (xxv) the Kayl/Issuer Mortgage Sale Agreement;
- (xxvi) the KWL/Issuer Mortgage Sale Agreement;
- (xxvii) the Paying Agency Agreement;
- (xxviii) the Trust Deed;
- (xxix) the Issuer/ICSD Agreement; and
- (xxx) the Retention Letter.

- (10) As at the date hereof, save for the issue of the Notes and Certificates, the Issuer, since its incorporation on 10 February 2016, has not commenced operations nor prepared any accounts.
- (11) The aggregate transaction fees and expenses for the issue and listing of the Notes are estimated to be in the region of €10,241.20.
- (12) The Issuer will, from the Issue Date until the earlier of redemption in full of the last Note or the Final Maturity Date, make available a cash flow model to Noteholders, either directly or indirectly through one or more entities that provide cash flow models to investors generally.
- (13) The Issuer will, on or about the Issue Date until the earlier of redemption in full of the last Note or the Final Maturity Date, make available loan level data to investors and update such information on a regular basis.
- (14) 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.

## GLOSSARY OF DEFINED TERMS

“£”, “sterling” and “pounds”	are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.
“€”, “EUR” or “Euro”	are references to the lawful currency of the member states of the European Union participating in Economic and Monetary Union as contemplated by the Treaty.
“1999 Regulations”	means the Unfair Terms in Consumer Contracts Regulations 1999 as amended.
“2010 PD Amending Directive”	means Directive 2010/73/EU.
“A Noteholder”	means the persons who are for the time being holders of the A Notes.
“A Notes”	means the £299,200,000 Class A mortgage backed floating rate notes due 2058 and, unless expressly stated to the contrary, all references to an “A Note” shall be a reference to such A Note whether in global or definitive form.
“A Global Note”	means the Global Note representing the A Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Global Note</i> ) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
“A Principal Deficiency”	means a deficiency of principal amounts to make payment on the A Notes.
“A Principal Deficiency Ledger”	means the sub ledger of such name created for the purpose of recording the A Principal Deficiency and maintained by the Cash/Bond Administrator as a sub ledger of the Principal Deficiency Ledger.
“Account Bank”	means Citibank, N.A., London Branch (or such other replacement bank or financial institution as may be appointed from time to time in accordance with the Transaction Documents) in its capacity as provider of the Bank Accounts.
“Accrued Interest”	means any accrued interest on the Loans accruing prior to the Issue Date.
“Acenden”	means Acenden Limited.
“Acenden Mortgage Administration Delegation Agreement”	means the agreement so named dated on or about the Issue Date between, the Mortgage Administrator and Acenden.
“Agent Bank”	means Citibank, N.A., London Branch or any successor thereto.
“Agents”	means the Paying Agents, the Registrar, the Transfer Agent and the Agent Bank or any of them.
“AIFMD”	means EU Directive 2011/61/EU on Alternative Investment Fund Managers.
“AIFMD Level 2 Regulation” or “AIFMR”	means Commission Delegated Regulation (EU) No. 231/2013 relating to the AIFMD.
“Arranger”	means Merrill Lynch International.
“Asset Repurchase Trigger”	means in relation to a Product Switch Loan on the Product

Switch Effective Date:

- (a) the Balance of that Product Switch Loan will increase as a result of the Product Switch;
- (b) there has been a previous Product Switch since the Issue Date in relation to that Loan;
- (c) it is in one or more months in Arrears or it has been one or more months in Arrears at any time since the origination of that Product Switch Loan;
- (d) from the Product Switch Effective Date the Loan will have a current interest rate which is less than the fixed rate payable under the Swap Agreement for the new fixed rate or LIBOR (set quarterly in accordance with the terms and conditions of that Loan) plus 2.25 per cent.;
- (e) the reversionary interest rate for the Loan will be less than the aggregate of 3.50 per cent. per annum plus LIBOR, set quarterly in accordance with the terms and conditions of that Loan;
- (f) its inclusion in the Mortgage Pool following the Product Switch will cause the sum of the Balance of all Product Switch Loans within the Mortgage Pool as at their respective Product Switch Effective Dates to exceed an amount equal to 20 per cent. of the Balance of the Mortgage Pool at the date on which the Completion Mortgage Pool is confirmed;
- (g) its inclusion in the Mortgage Pool will cause the Forecast Adjusted Fixed Rate Mortgage Principal Amount for any subsequent Interest Payment Date (calculated as at the Product Switch Effective Date) to exceed the notional amount under the Swap Agreement for that or any subsequent Interest Payment Date by more than 5 per cent.;
- (h) the remaining term of that Loan following the Product Switch will fall after the date falling two years prior to the Final Maturity Date; or
- (i) if the period from origination of the Loan to rate reversion was 3 years or less and as a result of the Product Switch the period from the Product Switch Effective Date to rate reversion of that Loan is longer than 3 years.

**“Authorised Investments”**

means investments of the funds standing to the credit of the Transaction Account and/or the GIC Account where:

- (a) the rate of interest earned on such investments is likely to exceed the rate of interest paid on the Transaction Account and/or the GIC Account;
- (b) the investments have a maturity date of 60 days or less and mature on or before two Business Days prior to the Interest Payment Date immediately succeeding the date on which the investments are made; and
- (c) (1) the investments are sterling denominated securities



bank accounts or other obligations of or rights against entities (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) (i) which have a long-term issuer default rating by Fitch of at least A and whose long term unsecured and unguaranteed debt is rated at least A2 by Moody's and (ii) with a short term issuer default rating by Fitch of at least F1 and whose short term unsecured and unguaranteed debt is rated at least P-1 by Moody's; or (2) in such other Sterling denominated securities, bank accounts or other obligations (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) as would not adversely affect the then current ratings of the Most Senior Class of Rated Notes provided that any monies invested in entities for a period of more than 31 days are invested in an entity with (i) a long-term issuer default rating by Fitch of at least AA- and whose long term unsecured and unguaranteed debt is rated at least A2 by Moody's and (ii) whose short term unsecured and unguaranteed debt is rated at least P-1 by Moody's and with a short term issuer default rating by Fitch of at least F1+.

**“Authorities”**

means the FCA and PRA together with HM Treasury and the Bank of England.

**“Available Principal Funds”**

means an amount calculated by the Cash/Bond Administrator on a Determination Date, being the aggregate of the following amounts:

- (a) the Principal Collections received for the preceding Determination Period;
- (b) the proceeds of any Authorised Investments attributable to Principal Collections for the Determination Period immediately preceding the relevant Determination Date;
- (c) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Interest Payment Date; and

(d) any Liquidity Reserve Fund Excess Amount, less any amounts of Available Principal Funds which are to constitute item (h) of Available Revenue Funds.

The amount of £335,185.93, which is the amount by which the total issuance of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes exceeds the consideration payable by the Issuer in respect of the sale of the Loans and Collateral Security, will be made part of the Available Principal Funds on the first Interest Payment Date.

**“Available Revenue Funds”**

means an amount calculated by the Cash/Bond Administrator on a Determination Date, being the aggregate of the following amounts:

- (a) interest earned pursuant to the Bank Agreement for the Determination Period immediately preceding the Determination Date and interest received on the GIC Account for the Determination Period immediately preceding the relevant Determination Date;
- (b) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;
- (c) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;
- (d) any amounts received by the Issuer under the Swap Agreement or any replacement Swap Agreement on the relevant Interest Payment Date (excluding Swap Excluded Receivable Amounts and amounts standing to the credit of the Issuer Profit Ledger, any amounts credited to the Swap Collateral Accounts and any Swap Collateral Accounts surplus);
- (e) any General Reserve Fund Excess Amount;
- (f) any amount standing to the credit of the General Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (g) and (h) below) in respect thereof;
- (g) for so long as there are any A Notes or , subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes, B Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (f) above but excluding paragraph (h) below);
- (h) such amounts of Available Principal Funds on the relevant Determination Date if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be
  - (i) a Revenue Shortfall (subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes) and/or
  - (ii) provided the relevant PDL Condition is met, a shortfall in respect of interest on the C Notes and

	the D Notes, in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (f) and (g) above). Any such amount may only be used for payment of Senior Fees and interest on the A Notes, the B Notes, the C Notes and the D Notes and not any other amounts in the Pre-Enforcement Revenue Priority of Payments; and
	(i) on the second Interest Payment Date, the balance, if any, standing to the credit of the Start-Up Costs Ledger, but excluding any Swap Excluded Receivable Amounts.
<b>“Banking Act”</b>	means the UK Banking Act 2009.
<b>“Barclays”</b>	means Barclays Bank PLC.
<b>“Barclays Bank Group”</b>	means Barclays together with its subsidiary undertakings.
<b>“BBR”</b>	means the Bank of England base rate of interest.
<b>“B Noteholders”</b>	means the persons who are for the time being holders of the B Notes.
<b>“B Notes”</b>	means the £15,840,000 Class B mortgage backed floating rate notes due 2058 and, unless expressly stated to the contrary, all references to a <b>“B Note”</b> shall be a reference to such B Note whether in global or definitive form.
<b>“B Global Note”</b>	means the Global Note representing the B Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Global Note</i> ) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
<b>“B Principal Deficiency”</b>	means a deficiency of principal amounts to make payment on the B Notes.
<b>“B Principal Deficiency Ledger”</b>	means the sub-ledger of such name created for the purpose of recording the Principal Deficiency on the B Notes and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
<b>“B Residual Amount”</b>	has the meaning given to such term in Note Condition 4(j) ( <i>Deferral of Interest</i> ).
<b>“Balance”</b>	means in relation to any Loan and on any date, the principal amount outstanding as at that date plus any other disbursement, legal expense, fee, charge or premium capitalised and added to the amounts secured by the relevant Mortgage in accordance with the conditions of the Loan on or prior to such date (including, for the avoidance of doubt, capitalised interest) less any repayments of such amounts.
<b>“Bank Accounts”</b>	means the Transaction Account, the GIC Account and the Swap Collateral Accounts (or any replacement accounts for such account).
<b>“Bank Agreement”</b>	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Account Bank, and the Issuer and the GIC Provider in relation to the GIC Account.

<b>“Basel Committee”</b>	means the Basel Committee on Banking Supervision.
<b>“Berkeley Square PL Mortgage Sale Agreement”</b>	means the mortgage sale agreement dated on or about the Issue Date between KMC Berkeley Square Limited, the Legal Title-Holder and Kayl.
<b>“BO”</b>	means a bankruptcy order.
<b>“Book-Entry Interests”</b>	means the beneficial interests in the Global Notes recorded by Euroclear and Clearstream, Luxembourg.
<b>“Borrower”</b>	means, in relation to each Loan, the borrower or borrowers specified in such Loan.
<b>“Bridge Financing”</b>	has the meaning given to such term in the Risk Factor entitled “ <i>Conflicts of Interest</i> ”.
<b>“Business Day”</b>	means a day on which commercial banks and foreign exchange markets settle payments in London and Dublin.
<b>“Buy-to-Let Loan”</b>	means a Loan which is intended for a Borrower who wishes to use the Loan as a means to purchase a residential property for the purpose of letting to third parties.
<b>“C Noteholders”</b>	means the persons who are for the time being holders of the C Notes.
<b>“C Notes”</b>	means the £15,840,000 Class C mortgage backed floating rate notes due 2058 and, unless expressly stated to the contrary, all references to a “C Note” shall be a reference to such C Note whether in global or definitive form.
<b>“C Global Note”</b>	means the Global Note representing the C Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Global Note</i> ) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
<b>“C Principal Deficiency”</b>	means a deficiency of principal amounts to make payment on the C Notes.
<b>“C Principal Deficiency Ledger”</b>	means the sub-ledger of such name created for the purpose of recording the C Principal Deficiency, and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
<b>“C Residual Amount”</b>	has the meaning given to such term in Note Condition 4(j) ( <i>Deferral of Interest</i> ).
<b>“Call Option Date”</b>	means any Interest Payment Date falling on or after May 2019 in respect of an optional redemption of the Notes exercisable by the Issuer in whole (but not in part) with, <i>inter alia</i> , the proceeds of a sale of the Charged Property pursuant to the Deed Poll.
<b>“Capital Requirements Directive” or “CRD”</b>	means EU Directive 2006/48/EC (as amended).
<b>“Cash/Bond Administration Agreement”</b>	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Cash/Bond Administrator.
<b>“Cash/Bond Administrator”</b>	means KMC or any successor thereto.

<b>“CCA”</b>	means the Consumer Credit Act 1974, as amended.
<b>“CCJ”</b>	means a county court judgment.
<b>“Central Bank”</b>	means the Central Bank of Ireland.
<b>“Certificates Conditions”</b>	means the terms and conditions applicable to the Certificates as set out in Schedule 6 ( <i>Terms and Conditions of the Certificates</i> ) to the Trust Deed as may from time to time be modified in accordance with the Trust Deed.
<b>“Certificateholders”</b>	means the persons who for the time being are the holders of the Certificates.
<b>“Certificates”</b>	means the 1,000 residual certificates issued or due to be issued by the Issuer on the Issue Date, or, as the case may be, a specific number thereof.
<b>“Certificates Basic Terms Modification”</b>	means any modification to: <ul style="list-style-type: none"> <li>(a) the priority of residual payments payable on the Certificates;</li> <li>(b) the currency of payment of the Certificates;</li> <li>(c) the definition of Certificates Basic Terms Modification;</li> <li>(d) the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to effect a Certificates Basic Terms Modification or to pass a Certificates Extraordinary Resolution; or</li> <li>(e) the definition of Notes Basic Terms Modification.</li> </ul>
<b>“Certificates Extraordinary Resolution”</b>	means: <ul style="list-style-type: none"> <li>(a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or</li> <li>(b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders.</li> </ul>
<b>“Certificates Ordinary Resolution”</b>	means: <ul style="list-style-type: none"> <li>(a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 50.1 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1 per cent. of the votes cast on such poll; or</li> <li>(b) a resolution in writing signed by or on behalf of the holders of not less than 50.1 per cent. of the Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on</li> </ul>

behalf of one or more of such holders.

**"Change"**

means:

- (a) a change or modification to the Services or the way they are delivered or the addition of new services to the Services; or
- (b) an amendment to the Mortgage Administration Agreement or any document attached to it or referred to in the Mortgage Administration Agreement, the Service Specification and/or the Legal Title-Holder Policies; or
- (c) a modification, enhancement, replacement or other alteration to the System, computer equipment and/or software operated by the Legal Title-Holder or on its behalf including for the purpose of submitting to the Mortgage Administrator, or as the case may be, receiving from the Mortgage Administrator, any data including Legal Title-Holder's Business Data; or
- (d) a change in the manner in which the Legal Title-Holder's obligations are performed or supported, including a change to the Legal Title-Holder's Systems, tools, Intellectual Property, operational procedures, operating, legal or regulatory environment, processes, policies, reporting requirements, infrastructure, staffing or resource requirements;
- (e) a change in the product specifications of the Loans; or
- (f) a change in Applicable Law and/or as requested by a Regulatory Authority.

**"Change Control Mechanism"**

means the process for agreeing operational charges as set out in Schedule 3 (*Change Control Mechanism*) of the Mortgage Administration Agreement.

**"Charged Obligation Documents"**

means the documents set out at Note Condition 2(b)(iii) (*Security*).

**"Charged Property"**

means the property, assets, rights and undertakings for the time being comprised in or subject to the security contained in or granted pursuant to the Deed of Charge and references to the Charged Property shall include references to any part of it.

**"Class"**

shall be a reference to a class of the Notes being the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class X Notes and the Class Z Notes and shall be a reference to the Certificates and "**classes**" shall be construed accordingly.

**"Clearing Systems"**

means Clearstream, Luxembourg and Euroclear.

**"Clearstream, Luxembourg"**

means Clearstream Banking, *société anonyme*.

**"CMA"**

means the Competition and Markets Authority.

**"Code"**

means the U.S. Internal Revenue Code of 1986, as amended;

<b>“Collateral Security”</b>	means the Mortgages and any other collateral security relating to the Loans including, but not limited to, any rights under the Insurance Contracts.
<b>“Collection Account (Initial)”</b>	means the account in the name of Kensington Mortgage Company Limited held with the Collection Accounts Provider with sort code 20-19-90 and account number 73325652; or (x) such replacement account(s) as may be established from time to time so long as these accounts are subject to a declaration of trust in favour of the Issuer, the relevant account holding bank has the rating referred to in clause 5 ( <i>Change of Bank or Cash/Bond Administrator</i> ) of the Collection Account (Initial) Agreement and such account holding bank enters into an agreement on substantially the same terms as the Collection Account (Initial) Agreement, or (y) such other replacement account(s) as may be established from time to time in accordance with the Transaction Documents.
<b>“Collection Account (Initial) Agreement”</b>	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Collection Accounts Provider.
<b>“Collection Account (Initial) Declaration of Trust”</b>	means each declaration of trust dated on or about the Issue Date created in favour of the Issuer in respect of KMC’s interest in the Collection Account (Initial).
<b>“Collection Accounts”</b>	means the Collection Account (Initial), the F Collection Account, the R Collection Account and the Main Collection Account, as applicable, and a <b>“Collection Account”</b> means any of them.
<b>“Collection Accounts Provider”</b>	means Barclays Bank PLC (or such other replacement bank or financial institution as may be appointed from time to time in accordance with the Transaction Documents) in its capacity as provider of the Collection Account.
<b>“Collection Accounts Provider Downgrade Event”</b>	means where the Collection Accounts Provider fails to maintain the Collection Accounts Rating Agency Required Ratings.
<b>“Collection Accounts Rating Agency Required Ratings”</b>	means the required ratings of the Collection Accounts Provider as set out in the section entitled <i>“Triggers Table”</i> .
<b>“Common Safekeeper”</b>	means the Clearing Systems or such other entity which the Issuer may elect from time to time to perform the safekeeping roles (See <i>“Summary of Provisions Relating to the Notes While in Global Form”</i> ).
<b>“Completion Mortgage Pool”</b>	means the Pre-30 January 2015 Completion Mortgage Pool and the Post-30 January 2015 Completion Mortgage Pool.
<b>“Conditions”</b>	means both the Note Conditions and the Certificates Conditions.
<b>“CONC”</b>	means the Consumer Credit sourcebook.
<b>“Consumer Credit Directive”</b>	means the second Directive on consumer credit adopted by the European Parliament and the Council.
<b>“Contingency Policy”</b>	means a contingency insurance policy (used where the Borrower has allowed his or her insurance policy to lapse, and

	where the Legal Title-Holder is not aware of that lapse).
“Corporate Services Agreement”	means the agreement so named and dated on or around 28 April 2016 between, <i>inter alios</i> , the Issuer and the Corporate Services Provider.
“Corporate Services Provider”	means Structured Finance Management Limited, a company incorporated in England and Wales with registered number 3853947 and having its registered office at 35 Great St. Helen’s, London EC3A 6AP, United Kingdom.
"Counter Notice"	means a notice signed by the Issuer and sent by the Cash/Bond Administrator to the Mortgage Pool Option Holder specifying the Mortgage Pool Purchase Price.
“CPR”	means the constant per annum rate of prepayment.
“CPUTRs”	means the Consumer Protection from Unfair Trading Regulations 2008.
“CRA3”	means the provisions of Regulation (EC) 1060/2009 on Credit Rating Agencies as amended by Regulation 462/2013 (EU).
“CRA Regulation”	means Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.
“CRD”	means the Capital Requirements Directive.
“CRD IV”	means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013.
“Credit Support Annex”	means a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) entered into between the Swap Counterparty and the Issuer in connection with the Swap Agreement (or any 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) entered into between the Issuer and any replacement Swap Counterparty).
“CTS”	means Wells Fargo’s Corporate Trust Services.
“Cut-Off Date”	means 29 February 2016.
“D Noteholders”	means the persons who are for the time being holders of the D Notes.
“D Notes”	means the £10,560,000 Class D mortgage backed floating rate notes due 2058 and, unless expressly stated to the contrary, all references to a “D Note” shall be a reference to such D Note whether in global or definitive form.
“D Global Note”	means the Global Note representing the D Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Global Note</i> ) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
“D Principal Deficiency”	means a deficiency of principal amounts to make payment on the D Notes.
“D Principal Deficiency Ledger”	means the sub-ledger of such name created for the purpose of recording the D Principal Deficiency and maintained by the



	Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
“ <b>D Residual Amount</b> ”	has the meaning given to such term in Note Condition 4(j) ( <i>Deferral of Interest</i> ).
“ <b>Deed of Charge</b> ”	means the deed of charge so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Trustee.
“ <b>Deed of Variation</b> ”	means a variation to the Standard Conditions implemented by lenders in the residential mortgage market.
“ <b>Deed Poll</b> ”	means the mortgage pool option deed and deed poll dated on or about the Issue Date, executed by the Issuer, in favour of the Mortgage Pool Option Holder from time to time.
“ <b>Delegate Mortgage Administrator</b> ”	means, prior to the Delegate Mortgage Administrator Migration Date, HML under the HML Mortgage Administration Delegation Agreement and following the Delegate Mortgage Administrator Migration Date, Acenden under the Acenden Mortgage Administration Delegation Agreement.
“ <b>Delegate Mortgage Administrator Migration Date</b> ”	means the date on which the role of delegate mortgage administrator is transferred from HML to Acenden;
“ <b>Determination Date</b> ”	means the date which falls two Business Days prior to an Interest Payment Date or, if such day is not a Business Day, the immediately preceding Business Day.
“ <b>Determination Period</b> ”	means the period ending on the fourth Business Day of the calendar month in which a Determination Date falls and starting on the calendar day immediately following the fourth Business Day of the calendar month in which the immediately preceding Determination Date falls, save in respect of the first Determination Period which shall start on the Issue Date.
“ <b>Distribution Compliance Period</b> ”	has the meaning given to such term in the section entitled “ <i>Purchase and Sale</i> ”.
“ <b>DTIR</b> ”	means debt-to-income ratio.
“ <b>E Global Note</b> ”	means the Global Note representing the E Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Global Note</i> ) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
“ <b>E Notes</b> ”	means the £10,560,000 Class E mortgage backed floating rate notes due 2058 and, unless expressly stated to the contrary, all references to an “ <b>E Note</b> ” shall be a reference to such E Note whether in global or definitive form.
“ <b>E Noteholders</b> ”	means the persons who are for the time being holders of the E Notes.
“ <b>E Principal Deficiency</b> ”	means a deficiency of principal amounts to make payment on the E Notes.
“ <b>E Principal Deficiency Ledger</b> ”	means the sub-ledger of such name created for the purpose of recording the E Principal Deficiency and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.

“ <b>E Residual Amount</b> ”	has the meaning given to such term in Note Condition 4(j) ( <i>Deferral of Interest</i> ).
“ <b>ECB</b> ”	means the European Central Bank.
“ <b>EMIR</b> ”	has the meaning given to it in the “ <i>Risk Factor</i> ” section entitled “ <i>EMIR and MiFID II/MiFIR</i> ”.
“ <b>EMU</b> ”	means European Economic and Monetary Union.
“ <b>Enforcement Liabilities</b> ”	means the entirety of amounts owed by a Borrower under a Loan.
“ <b>Enforcement Notice</b> ”	means a notice given by the Trustee to the Issuer under Note Condition 9 ( <i>Events of Default</i> ) of the Notes.
“ <b>Enforcement Procedures</b> ”	means the exercise of the rights and remedies against a Borrower, or in relation to the security for the Borrower’s obligations arising from any default by the Borrower under or in connection with such Borrower’s Loan or related security, in accordance with the procedures established by the relevant Legal Title-Holder and adopted by the Mortgage Administrator, as varied from time to time in accordance with the procedures that could reasonably be expected of a Prudent Mortgage Lender as dictated by the Legal Title-Holder and “ <b>completion of the Enforcement Procedures</b> ” shall be deemed to have occurred in respect of a particular Loan and its related security when the Mortgage Administrator has been notified by the Legal Title-Holder that, having regard to the circumstances of the relevant Borrower and the then applicable Enforcement Procedures, the prospect of any further recovery of amounts due by that Borrower is remote or such further recovery is uneconomic.
“ <b>Enforcement Proceeds</b> ”	means the proceeds arising from any enforcement proceedings upon a Borrower’s default, including any sale proceeds.
“ <b>Euro</b> ”, “ <b>euro</b> ” or “ <b>€</b> ”	means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty.
“ <b>Euroclear</b> ”	means Euroclear Bank SA/NV or its successor.
“ <b>Euro Exchange Date</b> ”	has the meaning given to that term in Note Condition 16(b) ( <i>Redenomination</i> ).
“ <b>Euro Exchange Notice</b> ”	has the meaning given to that term in Note Condition 16(b) ( <i>Redenomination</i> ).
“ <b>Eurozone</b> ”	means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.
“ <b>Event of Default</b> ”	has the meaning given to it in Note Condition 9 ( <i>Events of Default</i> ) or, as applicable, Certificates Condition 6 ( <i>Events of Default</i> ).
“ <b>Excess Spread</b> ”	means any Available Revenue Funds in excess of senior costs; interest due on and remedying any Principal Deficiency on the

A Notes, the B Notes, the C Notes, the D Notes and the E Notes and certain amounts credited to the General Reserve Fund;

**"Exercise Notice"**

means a notice delivered by the Mortgage Pool Option Holder to the Issuer (with a copy to the Trustee, the Mortgage Administrator and the Cash/Bond Administrator) that it intends to exercise the Mortgage Pool Option at any time on or after the Call Option Date and with details of the Mortgage Pool Purchase Completion Date.

**"Extraordinary Resolution"**

means:

- (a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders,

and (in the circumstances set out in Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) an Extraordinary Resolution (other than in respect of a Basic Terms Modification) will pass unless 10 per cent. or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution within 40 days after the date on which a notice containing the text of such Extraordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such class in accordance with the provisions of Note Condition 14 (*Notice to Noteholders*) by the Issuer, the Trustee or the Cash/Bond Administrator, and for so long as the Notes are listed on the Irish Stock Exchange, by making it available to any Regulatory Information Service maintained by the Irish Stock Exchange.

**"F Collection Account"**

means the collection account (into which cash or cheque payments from Borrowers in relation to the mortgage loans will be paid) in the name of Kensington Mortgage Company Limited held with the Collection Accounts Provider with sort code 20-19-90 and account number 53683419; or (x) such replacement account(s) as may be established from time to time so long as these accounts are subject to a declaration of trust in favour of the Issuer, the relevant account holding bank has the rating referred to in Clause 5 (*Change of Bank or Cash/Bond Administrator*) of the F Collection Account Agreement and

	such account holding bank enters into an agreement on substantially the same terms as the F Collection Account Agreement, or (y) such other replacement account(s) as may be established from time to time in accordance with the Transaction Documents.
<b>“F Collection Account Agreement”</b>	means the agreement so named dated 17 December 2015 between, <i>inter alios</i> , the Issuer and the Collection Accounts Provider.
<b>“F Collection Account Beneficiary Accession Agreement”</b>	means the accession agreement in respect of the F Collection Account Agreement dated on or about the Issue Date between, <i>inter alios</i> , KMC, the Issuer and the Trustee.
<b>“F Collection Account Declaration of Trust”</b>	means the declaration of trust dated 17 December 2015 created in favour of the Issuer (amongst others) in respect of KMC's interest in the F Collection Account to the extent that interest relates to the Loans in the Mortgage Pool.
<b>“F Collection Account Supplemental Deed of Declaration of Trust”</b>	means the deed dated on or about the Issue Date between KMC, the Issuer and the Trustee and which is supplemental to the F Collection Account Declaration of Trust.
<b>“F Collection Account Trustee Accession Agreement”</b>	means the trustee accession agreement in respect of the F Collection Account Agreement dated on or about the Issue Date between, <i>inter alios</i> , KMC, the Issuer and the Trustee.
<b>“FATCA”</b>	means: <ul style="list-style-type: none"> <li>(a) sections 1471 to 1474 of the Code and any associated regulations and other official guidance;</li> <li>(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or</li> <li>(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. Government or any governmental or taxation authority in any other jurisdiction.</li> </ul>
<b>“FATCA Withholding”</b>	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
<b>“FCA”</b>	means the Financial Conduct Authority or any successor authority or authorities fulfilling the regulatory role currently occupied by the Financial Conduct Authority.
<b>“FFI” or “foreign financial institution”</b>	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
<b>“Final Discharge Date”</b>	means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full.
<b>“Final Maturity Date”</b>	means for all Notes and Certificates, the Interest Payment Date falling in February 2058.

<b>“Final RTS”</b>	means Commission Delegated Regulation (EU) No. 625/2014 supplementing the CRR.
<b>“Fitch”</b>	means Fitch Ratings Limited.
<b>“Fixed Rate Mortgage”</b>	means a Loan in relation to which the Borrower is obliged to pay a fixed rate of interest for a limited period and thereafter pays a rate of interest equal to the rate which would be payable under a LIBOR Standard Mortgage.
<b>“Floating Rate of Interest”</b>	means the rate of interest as determined by the Agent Bank in accordance with Note Condition 4(c) ( <i>Rate of Interest</i> ).
<b>“Floating Rate Notes”</b>	means the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the X Notes and the Z Notes.
<b>“foreign passthru payments”</b>	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
<b>“Forecast Adjusted Fixed Rate Mortgage Principal Amount”</b>	means the aggregate principal balance outstanding of the Fixed Rate Mortgages within the Mortgage Pool (including any Product Switch Loans which are intended to remain in the Mortgage Pool) on each subsequent Interest Payment Date as forecast by the Cash/Bond Administrator assuming a constant prepayment rate of zero.
<b>“FSA”</b>	means the Financial Services Authority or any successor authority or authorities fulfilling the regulatory role currently occupied by the FSA (which term, when used in relation to a date on or after 1 April 2013, shall be deemed to refer to the FCA and/or PRA (as applicable)).
<b>“FSMA”</b>	means the Financial Services and Markets Act 2000.
<b>“FTT”</b>	means the proposed financial transactions tax and “ <b>Commission’s proposal</b> ” in relation thereto means the draft Directive for such financial transactions tax.
<b>“General Reserve Fund”</b>	means the amount reserved from time to time in the GIC Account by depositing the General Reserve Fund Required Amount into the GIC Account and crediting the General Reserve Fund Ledger in accordance with the Cash/Bond Administration Agreement.
<b>“General Reserve Fund Excess Amounts”</b>	means any amount standing to the credit of the General Reserve Fund Ledger in excess of the General Reserve Fund Required Amount and which will be released as Available Revenue Funds.
<b>“General Reserve Fund Ledger”</b>	means the ledger of such name created and maintained by the Cash/Bond Administrator in the GIC Account.
<b>“General Reserve Fund Required Amount”</b>	means: <ul style="list-style-type: none"> <li>(a) on the Issue Date and on any Interest Payment Date, 2.0 per cent. of the Principal Amount Outstanding of the aggregate of the A Notes, the B Notes, the C Notes, the D Notes and the E Notes as at the Issue Date, being £7,040,000; and</li> </ul>

	(b) following redemption in full of the A Notes to D Notes (inclusive), zero.
<b>“GIC Account”</b>	means the sterling-denominated account in the name of the Issuer held with the GIC Provider, sort code 18-50-08, account number 17461208, or such other replacement account as may be established from time to time in accordance with the Transaction Documents.
<b>“GIC Interest Rate”</b>	means three months LIBOR minus 40 basis points per annum, subject (to the extent that three month LIBOR is equal to or greater than zero) to a floor of 0 per cent. per annum or, provided a Rating Agency Confirmation is obtained, subject to any other floor value.
<b>“GIC Provider”</b>	means Citibank N.A., London Branch (or such other replacement bank or financial institution as may be appointed from time to time in accordance with the Transaction Documents).
<b>“Global Certificates”</b>	means each of the certificates which represent the Certificates or some of them substantially in the form set out in Schedule 3 ( <i>Form of Global Certificate</i> ) of the Trust Deed, which is held in a manner which could allow Eurosystem eligibility and Global Certificate means one of them.
<b>“Global Notes”</b>	means the A Global Note, the B Global Note, the C Global Note, the D Global Note, the E Global Note, the X Global Note and the Z Global Note and Global Note means one of them.
<b>“Grandfathering Date”</b>	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
<b>“HML”</b>	means Homeloan Management Limited, a company registered in England and Wales with company number 2214839.
<b>“HML Mortgage Administration Delegation Agreement”</b>	means the agreement so named dated on or about the Issue Date between, the Mortgage Administrator and HML.
<b>“HMRC”</b>	means Her Majesty’s Revenue and Customs.
<b>“IAS”</b>	means International Accounting Standards.
<b>“ICSDs”</b>	means Euroclear and Clearstream, Luxembourg.
<b>“Initial Available Revenue”</b>	means, on each Determination Date, the amount standing to the credit of the Revenue Ledger as at the end of the preceding Determination Period.
<b>“Initial Principal Amount”</b>	means, in relation to each Note, the initial face principal amount of that Note upon issue of the relevant Global Note relating to that Note.
<b>“Initiating Noteholder”</b>	has the meaning given to such term in Note Condition 14(d) ( <i>Noteholder Notices</i> ).
<b>“Insurance Contracts”</b>	means the insurance contracts referred to in Schedule 6 ( <i>Insurance Contracts</i> ) of the Kayl/Issuer Mortgage Sale Agreement and/or the KWL/Issuer Mortgage Sale Agreement (as applicable), including the right to receive the proceeds of any claims, in so far as they relate to the Loans and any other

	insurance contracts in replacement, addition or substitution therefor from time to time and which relate to the Loans, including any Contingency Policies and LIOs.
<b>“Interest Amount”</b>	has the meaning given to such term in Note Condition 4(e) ( <i>Determination of Floating Rates of Interest and Calculation of Interest Amount</i> ).
<b>“Interest Determination Date”</b>	means, in the case of the first Interest Period, the Issue Date, and, for each subsequent Interest Period, the first day of an Interest Period.
<b>“Interest Only Loan”</b>	means a loan under the terms of which the principal amount is not repayable before maturity and may require an endowment policy to be charged by way of collateral security or may require the deposit (but not by way of security) of a pension policy or may have no collateral as security other than the relevant Property.
<b>“Interest Payment Date”</b>	means the 16 day in February, May, August and November in each year unless such day is not a Business Day, in which case interest shall be payable on the following Business Day.
<b>“Interest Period”</b>	means the period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date, <b>provided that</b> the first Interest Period shall be the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date.
<b>“Interest Rate Swap”</b>	means the interest rate swap transaction entered into between the Issuer and the Swap Counterparty on or about the Issue Date to hedge against the possible variance between the fixed rates of interest payable on Fixed Rate Mortgages in the Mortgage Pool and in floating rates of interest payable on the Floating Rate Notes.
<b>“Interest Shortfall”</b>	means, on each Determination Date, the amount by which the Initial Available Revenue for the immediately following Interest Payment Date is insufficient to provide for payment of interest on the B Notes, the C Notes, the D Notes, the E Notes, the X Notes or the Z Notes.
<b>“ISE” or “Irish Stock Exchange”</b>	means the Irish Stock Exchange plc.
<b>“IRS”</b>	means the U.S. Internal Revenue Service.
<b>“Issue Date”</b>	means 28 April 2016.
<b>“Issuer”</b>	means Finsbury Square 2016-1 plc whose registered number is 9998450 and whose registered office is at 35 Great St. Helen’s, London EC3A 6AP, United Kingdom.
<b>“Issuer/ICSD Agreement”</b>	means the agreement so named dated on or before the date hereof between the Issuer and each of Euroclear and Clearstream, Luxembourg.
<b>“Issuer Profit”</b>	means retained profit of the Issuer in an amount of £1,500 per Interest Period for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year and the payment of a distribution (if any) to

	Parent.
<b>“Issuer Profit Ledger”</b>	means a ledger established in the Transaction Account used to record the retained revenue of the Issuer in accordance with the Cash/Bond Administration Agreement.
<b>“Issuer Security Power of Attorney”</b>	means the power of attorney granted by the Issuer in favour of the Trustee and any Receiver pursuant to clause 14 of the Deed of Charge.
<b>“IVA”</b>	means an Individual Voluntary Arrangement.
<b>“Joint Lead Managers”</b>	means each of Merrill Lynch International, Citigroup Global Markets Limited and J.P. Morgan Securities plc.
<b>“Joint Lead Managers Related Person”</b>	means any related entity, associate, officer or employee of the Joint Lead Managers.
<b>“Kayl”</b>	means Kayl PL S.à r.l. (a direct wholly-owned subsidiary of Kayl Holdco).
<b>“Kayl Holdco”</b>	means Kayl Holdco S.à r.l. (the parent company of the Sellers).
<b>“Kayl/Issuer Mortgage Sale Agreement”</b>	means the mortgage sale agreement dated on or about the Issue Date between the Issuer, the Legal Title-Holder, Kayl and the Trustee.
<b>“KMC”</b>	means Kensington Mortgage Company Limited, a company registered in England and Wales with company number 3049877.
<b>“KWL”</b>	means Koala Warehouse Limited (an indirect wholly-owned subsidiary of Kayl Holdco), a company incorporated in England and Wales with limited liability (registered number 09182194) whose registered office is at 11 Old Jewry, 7th Floor, London EC2R 8DU.
<b>“KWL/Issuer Mortgage Sale Agreement”</b>	means the mortgage sale agreement dated on or about the Issue Date between the Issuer, the Trustee, the Legal Title-Holder and KWL.
<b>“Land Registry”</b>	means HM Land Registry.
<b>“Legal Title-Holder”</b>	means (a) KMC under the Mortgage Administration Agreement or (b) if KMC's appointment as legal title-holder is terminated under the Mortgage Administration Agreement, any other legal title-holder selected by the Legal Title-Holder Facilitator and appointed with the prior written consent of the Trustee and the Mortgage Administrator.
<b>“Legal Title-Holder Facilitator”</b>	means Structured Finance Management Limited or any replacement or successor thereto appointed pursuant to the Mortgage Administration Agreement.
<b>“Legal Title-Holder Policies”</b>	means the legal title-holder policies which the Mortgage Administrator will follow in the provision of the Services as amended from time to time.
<b>“Legal Title-Holder's Business”</b>	means the business carried on from time to time by the Legal Title-Holder in relation to the Loans, Mortgages, related security and the Borrowers.



<b>“Legal Title-Holder's Business Data”</b>	means any data or information including the Borrower Data relating to or arising from the Legal Title-Holder's Business from time to time, whether or not Confidential Information or Personal Data, and necessary or reasonable to be transferred or made available to the Mortgage Administrator to enable the Mortgage Administrator to perform the Services and otherwise comply with the Mortgage Administration Agreement.
<b>“Legal Title-Holder's System”</b>	means the System used by the Legal Title-Holder to support the Legal Title-Holder's Business.
<b>“Lending Criteria”</b>	means the lending criteria as set out in Schedule 7 ( <i>Lending Criteria</i> ) of the Kayl/Issuer Mortgage Sale Agreement and/or the KWL/Issuer Mortgage Sale Agreement (as applicable) as may from time to time be applicable generally to loans and further advances made by the Legal Title-Holder.
<b>“LIBOR”</b>	means the London interbank offer rate as set out in Note Condition 4 ( <i>Interest</i> ).
<b>“LIBOR Standard Mortgage”</b>	means a Loan under the terms of which interest is payable at a variable rate of interest which is set quarterly at three-month LIBOR plus a margin.
<b>“LIO”</b>	means a lenders' interest only insurance policy (which the Legal Title-Holder and the beneficial owner of the relevant Loan has the benefit of).
<b>“Liquidity Reserve Fund”</b>	means the amount reserved from time to time in the GIC Account by depositing amounts into the GIC Account and crediting the Liquidity Reserve Fund Ledger in accordance with the Cash/Bond Administration Agreement.
<b>“Liquidity Reserve Fund Excess Amounts”</b>	means any amount standing to the credit of the Liquidity Reserve Fund Ledger in excess of the Liquidity Reserve Fund Required Amount on any Interest Payment Date and which will be applied as and form part of Available Principal Funds.
<b>“Liquidity Reserve Fund Ledger”</b>	means the ledger of such name created and maintained by the Cash/Bond Administrator in the Transaction Account.
<b>“Liquidity Reserve Fund Required Amount”</b>	means: <ul style="list-style-type: none"> <li>(a) on the Issue Date, the Liquidity Reserve Fund Required Amount will be zero; and</li> <li>(b) on any Interest Payment Date, on which the amount standing to the credit of the General Reserve Fund as at such Interest Payment Date (after application of the Available Revenue Funds) is less than 1.5 per cent. of the aggregate Principal Amount Outstanding of the A Notes to E Notes (inclusive) on such Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments (the “<b>Liquidity Reserve Fund Trigger Event</b>”), the Liquidity Reserve Fund Required Amount will be 2.0 per cent. of the aggregate Principal Amount Outstanding of the A Notes and B Notes on that Interest Payment Date before the application of the Pre-</li> </ul>

	Enforcement Principal Priority of Payments; and
	(c) after the occurrence of the Liquidity Reserve Fund Trigger Event, on any subsequent Interest Payment Date, the Liquidity Reserve Fund Required Amount will be 2.0 per cent. of the aggregate Principal Amount Outstanding of the A Notes and B Notes on that Interest Payment Date before the application of the Pre-Enforcement Principal Priority of Payments.
<b>“Loan”</b>	means a loan in the Mortgage Pool which is, in each case, secured by Mortgages over Properties located in England and Wales.
<b>“Loan Conditions”</b>	means, in relation to each Loan, the terms and conditions on which it was made.
<b>“Loan to Value Ratio” or “LTV”</b>	means the ratio, expressed as a percentage, which the amount of a Loan (exclusive of any arrangement fee) bears to the valuation of the relevant Property at origination of the Loan or, in some cases as set out in the Lending Criteria, the lower of such valuation and the sale price of such Property.
<b>“Losses”</b>	means any losses arising in relation to a Loan in the Mortgage Pool or as a result of an Insolvency Event in relation to the Collection Accounts Provider which results in a shortfall in the amount of principal received on such Loan.
<b>“Main Collection Account”</b>	means the account in the name of Kensington Mortgage Company Limited held with the Collection Accounts Provider with sort code 20-19-90 and account number 73325652; or (x) such replacement account(s) as may be established from time to time so long as these accounts are subject to a declaration of trust in favour of the Issuer, the relevant account holding bank has the rating referred to in Clause 5 ( <i>Change of Bank or Cash/Bond Administrator</i> ) of the Main Collection Account Agreement and such account holding bank enters into an agreement on substantially the same terms as the Main Collection Account Agreement, or (y) such other replacement account(s) as may be established from time to time in accordance with the Transaction Documents.
<b>“Main Collection Account Agreement”</b>	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Collection Accounts Provider.
<b>“Main Collection Account Declaration of Trust”</b>	means each declaration of trust dated on or about the Issue Date created in favour of the Issuer in respect of KMC’s interest in the Main Collection Account.
<b>“Main Market”</b>	means the regulated market of the Irish Stock Exchange.
<b>“Market Abuse Directive”</b>	means EU Directive 2003/6/EC.
<b>“Markets in Financial Instruments Directive”</b>	means Directive 2004/39/EC.
<b>“Master Definitions Schedule”</b>	means the document named dated on or about the Issue Date and initialled for the purposes of identification by <i>inter alios</i>

	the Issuer and the Trustee.
“MCD”	means the European Mortgage Credit Directive (2014/17/EU).
“MCOB”	means the FCA’s Mortgages and Home Finance: Conduct of Business sourcebook, as the same may be amended, revised or supplemented from time to time.
“Meeting”	means a meeting of Noteholders of any Class or Classes (whether originally convened or resumed following an adjournment).
“Member State”	means a member state of the European Union.
“MiFID Regulations”	has the meaning given to such term in the section entitled “Purchase and Sale”.
“Modelling Assumptions”	means the assumptions set out in the section entitled “Weighted Average Lives of the Notes”.
“Monthly Report”	means the monthly report substantially in the form scheduled as Schedule 3 ( <i>Form of Monthly Report</i> ) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer and KMC.
“Moody’s”	means Moody’s Investors Service Ltd.
“Mortgage”	means the first ranking legal mortgage or charge of Property located in England or Wales which is security for a Loan.
“Mortgage Administration Agreement”	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Mortgage Administrator.
“Mortgage Administration Facilitator”	means Structured Finance Management Limited or any replacement or successor thereto appointed pursuant to the Mortgage Administration Agreement.
“Mortgage Administrator”	means (a) KMC under the Mortgage Administration Agreement or (b) if KMC’s appointment is terminated under the Mortgage Administration Agreement, any other mortgage administrator selected by the Mortgage Administration Facilitator and appointed by the Issuer with the approval of the Trustee.
“Mortgage Administrator Software”	means the software which is owned by and/or licensed to the Mortgage Administrator and which is used in the provision of the Services.
“Mortgage Administrator System”	means any IT system, middleware, hardware and related network and other infrastructure and any software or applications, including the Mortgage Administrator Software, operated thereon by the Mortgage Administrator from time to time to support the delivery of the Services.
“Mortgage Administrator Termination Event”	means any of the events of default specified under the Mortgage Administration Agreement, including non-performance by the Mortgage Administrator of its obligations thereunder or if insolvency or similar events occur in relation to the Mortgage Administrator.
“Mortgage Early Redemption Amounts”	means the compensation amounts payable by a Borrower if a Loan is redeemed (whether pre-enforcement or post-enforcement) within the Relevant Period (excluding, for the

	avoidance of doubt, any principal received in respect of the Loans to which the relevant Mortgages relate).
<b>“Mortgage Pool”</b>	means the Completion Mortgage Pool, other than Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been re-transferred to the relevant Seller pursuant to the Kayl/Issuer Mortgage Sale Agreement and/or the KWL/Issuer Mortgage Sale Agreement (as applicable) or in respect of which Enforcement Procedures have been completed, and any Substitute Loans.
<b>“Mortgage Pool Option”</b>	means the option granted to the Mortgage Pool Option Holder documented in the Deed Poll.
<b>“Mortgage Pool Option Holder”</b>	means (a) where there is a sole Certificateholder, that Certificateholder, or (b) where there is not a sole Certificateholder, an entity unanimously agreed in writing between the Certificateholders as their representative and whose identity has been notified to the Issuer by writing by the Certificateholders.
<b>“Mortgage Pool Purchase”</b>	means a purchase of all (but not part) of the Loans and their Mortgages and related security by the Mortgage Pool Option Holder.
<b>“Mortgage Pool Purchaser”</b>	means, as applicable, the person specified in an Exercise Notice as the purchaser of the beneficial title to the Loans and/or the legal title to the Loans.
<b>“Mortgage Pool Purchase Completion Date”</b>	means the completion date of the Mortgage Pool Purchase.
<b>“Mortgage Pool Purchase Price”</b>	means an amount which, together with any amounts standing to the credit of the Transaction Account, the GIC Account and/or the General Reserve Fund and the Liquidity Reserve Fund and/or any other cash held by or on behalf of the Issuer (other than any Swap Excluded Receivable Amounts), would be required to pay any amounts required under the relevant Priority of Payments to be paid in priority to or <i>pari passu</i> with the Notes on such Interest Payment Date, redeem all Notes then outstanding in full together with accrued and unpaid interest on such Notes and pay costs associated with the redemption, as calculated as at the Mortgage Pool Purchase Completion Date.
<b>“Mortgage Rights”</b>	has the meaning given in the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement.
<b>“Most Senior Class”</b>	means the A Notes for so long as there are any A Notes outstanding; thereafter the B Notes for so long as there are any B Notes outstanding; thereafter the C Notes for so long as there are any C Notes outstanding; thereafter the D Notes for so long as there are any D Notes outstanding; thereafter the E Notes for so long as there are any E Notes outstanding; thereafter the X Notes for so long as there are any X Notes outstanding; thereafter the Z Notes for so long as there are any Z Notes outstanding; and thereafter the Certificates for so long as there

	are any Certificates outstanding.
“ <b>N(M)</b> ”	means 31 October 2004.
“ <b>Noteholders</b> ”	means holders of the Notes.
“ <b>Note Conditions</b> ”	means the terms and conditions applicable to the Notes as set out in Schedule 5 ( <i>Terms and Conditions of the Notes</i> ) to the Trust Deed as may from time to time be modified in accordance with the Trust Deed and, with respect to any Notes represented by a Global Note, as modified by the provisions of such Global Note and any reference to a particularly numbered Condition shall be construed accordingly.
“ <b>Note Principal Payment</b> ”	has the meaning given to such term in Note Condition 5(c) ( <i>Note Principal Payments, Principal Amount Outstanding and Pool Factor</i> ).
“ <b>Note Purchase Agreement</b> ”	means the note purchase agreement dated on or around 26 April 2016 between the Issuer and the Joint Lead Managers.
“ <b>Notes</b> ”	means the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the X Notes and the Z Notes.
“ <b>Notes Basic Terms Modification</b> ”	means any modification to: <ul style="list-style-type: none"> <li>(a) the maturity of the Notes or the dates on which interest is payable in respect of the Notes;</li> <li>(b) any reduction of the amount due in respect of or cancellation of the principal amount of, or interest on or variation of the method of calculating the rate of interest on, the Notes;</li> <li>(c) the priority of payment of interest or principal on the Notes;</li> <li>(d) the currency of payment of the Notes;</li> <li>(e) the definition of Notes Basic Terms Modification; or</li> <li>(f) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Notes Basic Terms Modification or to pass an Extraordinary Resolution.</li> </ul>
“ <b>NVG</b> ”	means The Northview Group Limited.
“ <b>OFT</b> ”	means the Office of Fair Trading.
“ <b>Ombudsman</b> ”	means the Financial Ombudsman Service.
“ <b>Ordinary Resolution</b> ”	means: <ul style="list-style-type: none"> <li>(a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 50.1 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1 per cent. of the votes cast on such poll; or</li> <li>(b) a resolution in writing signed by or on behalf of the holders of not less than 50.1 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of</li> </ul>

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 such holders, and (in the circumstances set out in Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*)) an Ordinary Resolution will pass unless 15 per cent. or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Ordinary Resolution within 40 days after the date on which a notice containing the text of such Ordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such Class in accordance with the provisions of Note Condition 14 (*Notice to Noteholders*) by the Issuer, the Trustee or the Cash/Bond Administrator and for so long as the Notes are listed on the Irish Stock Exchange, by making it available to any Regulatory Information Service maintained by the Irish Stock Exchange.

“Original Property”

means the Property which a Loan was originally secured by.

“Originator”

means KMC.

“outstanding”

means, in relation to a Class of Notes, all the Notes of that Class which have been issued except:

- (a) those which have been redeemed in full in accordance with the Note Conditions;
- (b) those in respect of which the date for redemption in full has occurred and the full amount of redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable under the Note Conditions after such date) have been duly paid to the Trustee or to the Principal Paying Agent as provided in clause 2 (*Amount of the Notes and Covenant to Pay*) of the Trust Deed (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with Note Condition 14 (*Notice to Noteholders*)) and remain available for payment against presentation and surrender of Notes; and
- (c) those which have become void or in respect of which claims have become prescribed,

**provided that** for each of the following purposes:

- (A) ascertaining the right to attend and vote at any meeting of the Noteholders;
- (B) the determination of how many Notes are outstanding for the purposes of Note Condition 9 (*Events of Default*) and Note Condition 10 (*Enforcement of Notes, Limited Recourse and Non-Petition*) and Note Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) and Schedule 7 (*Provisions for Meetings of*

*Noteholders*) to the Trust Deed;

(C) the exercise of any discretion, power or authority which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Most Senior Class; and

(D) the determination by the Trustee of whether any event or potential event is or would be materially prejudicial to the interests of the Most Senior Class,

those Notes which are beneficially held by or on behalf of the Issuer shall (unless no longer so held) be deemed not to remain outstanding and, for the purposes of this proviso, in the case of the Global Notes, the Trustee shall be entitled to rely on the records of Euroclear and Clearstream, Luxembourg in relation to any determination of the nominal amount outstanding of the Global Notes.

<b>“Parent”</b>	means Finsbury Square 2016-1 Parent Limited.
<b>“Parent Share Trust Deed”</b>	means the trust deed so named and dated 10 March 2016 between the Share Trustee and the Parent.
<b>“Parent Term Loan Agreement”</b>	means the loan agreement so named and dated 10 March 2016 between the Parent and the Share Trustee.
<b>“Part and Part Loans”</b>	means Loans under the terms of which the loan is effectively separated (at the option of, and at a level decided by, the Borrower) into two, principal amounts, one in respect of which the Borrower pays interest only and the other in respect of which the Borrower pays interest and principal.
<b>“Participating FFI”</b>	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
<b>“Participating Member State”</b>	means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty.
<b>“Paying Agency Agreement”</b>	means the agreement so named and dated on or about the Issue Date between, among others, the Issuer, the Trustee and the Agents.
<b>“Paying Agents”</b>	means the Principal Paying Agent and any additional paying agent appointed pursuant to the Paying Agency Agreement or any of them.
<b>“PDL Condition”</b>	means in order to make up any Shortfall in respect of any Class, the conditions that: (i) unless the B Notes are the Most Senior Class, in respect of interest on the B Notes, the debit balance of the B Principal Deficiency Ledger not exceeding 10 per cent. of the Principal Amount Outstanding of the B Notes; (ii) unless the C Notes are the Most Senior Class, in respect of interest on the C Notes, the debit balance of the C Principal Deficiency Ledger not exceeding 10 per cent. of the Principal Amount Outstanding of the C Notes; (iii) unless the D Notes are the Most Senior Class, in respect of interest on the D Notes, the debit balance of the D Principal Deficiency Ledger not

exceeding 10 per cent. of the Principal Amount Outstanding of the D Notes, and “**relevant PDL Condition**” means the condition relating to that Class.

**“Perfection Events”**

means the occurrence of any of the following:

- (a) the service of an Enforcement Notice;
- (b) the Trustee determining that the Charged Property or any part thereof is in jeopardy (including due to the possible insolvency of one or more of the Seller or the Legal Title-Holder);
- (c) certain insolvency events of the Seller or the Legal Title-Holder; or
- (d) the Issuer, the Trustee, the Seller or the Legal Title-Holder becoming obliged to provide notice of assignment or (as applicable) assignation of the Loan by order of court, by law or any relevant regulatory authority,

as more particularly described in clause 6.1 (*Further Assurance*) of the Kayl/Issuer Mortgage Sale Agreement and the KWL/Issuer Mortgage Sale Agreement.

**“Performance Report”**

means the quarterly performance report substantially in the form scheduled as Schedule 2 (*Form of Reports*) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer and KMC.

**“Pool Factor”**

has the meaning given to such term in Note Condition 5(c) (*Note Principal Payments, Principal Amount Outstanding and Pool Factor*).

**“Post-30 January 2015 Completion Mortgage Pool”**

means the Loans selected in accordance with clause 4 (*Period to Completion*) of the KWL/Issuer Mortgage Sale Agreement and to be sold and assigned to the Issuer pursuant to the KWL/Issuer Mortgage Sale Agreement on the Issue Date, as set out in Annexure A of the KWL/Issuer Mortgage Sale Agreement.

**“Post-Enforcement Priority of Payments”**

means the Post-Enforcement Priority of Payments set out in Note Condition 2(d) (*Post-Enforcement Priority of Payments*).

**“Potential Event of Default”**

means any condition, event, act or circumstance which would or could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Note Condition 9 (*Events of Default*), become an Event of Default.

**“Pre-30 January 2015 Completion Mortgage Pool”**

means the Loans selected in accordance with clause 4 (*Period to Completion*) of the Kayl/Issuer Mortgage Sale Agreement and to be sold and assigned to the Issuer pursuant to the Kayl/Issuer Mortgage Sale Agreement on the Issue Date, as set out in Annexure A of the Kayl/Issuer Mortgage Sale Agreement.

**“Pre-Enforcement Principal Priority of Payments”**

means the Pre-Enforcement Principal Priority of Payments as set out in Note Condition 5(b) (*Mandatory Redemption of the Notes*).



<b>“Pre-Enforcement Priority of Payments”</b>	means the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Principal Priority of Payments, as the case may be.
<b>“Pre-Enforcement Revenue Priority of Payments”</b>	means the Pre-Enforcement Revenue Priority of Payments set out in Note Condition 2(c) ( <i>Pre-Enforcement Revenue Priority of Payments</i> ).
<b>“Principal Amount Outstanding”</b>	means the principal amount outstanding of each note as determined in accordance with Note Condition 5(c) ( <i>Note Principal Payments, Principal Amount Outstanding and Pool Factor</i> ).
<b>“Principal Collections”</b>	means an amount determined by the Cash/Bond Administrator on a Determination Date being the aggregate of: <ul style="list-style-type: none"> <li>(a) all repayments or prepayments of principal received by the Issuer in relation to the Loans in respect of the Determination Period ending on or immediately prior to such Determination Date;</li> <li>(b) recoveries received by the Issuer and allocable to principal upon an enforcement of the Collateral Security, and recoveries received by the Issuer and allocable to principal upon a purchase or a repurchase of the Loans or Shortfall Loans by the Seller or KMC (or an affiliate thereof), in accordance with the terms of the Kayl/Issuer Mortgage Sale Agreement or the KWL/Issuer Mortgage Sale Agreement as the case may be, in each case received by the Issuer in the Determination Period preceding such Determination Date.</li> </ul>
<b>“Principal Deficiency”</b>	means the amount debited from time to time to the Principal Deficiency Ledger for the purposes of recording Losses on the Mortgage Pool and/or the utilisation of principal receipts to pay a Revenue Shortfall and also to pay interest amounts on the B Notes, the C Notes and the D Notes and also any drawing under the Liquidity Reserve Fund to fund a Revenue Shortfall.
<b>“Principal Deficiency Ledger”</b>	means the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger and the E Principal Deficiency Ledger.
<b>“Principal Ledger”</b>	means the ledger of such name created for the purpose of recording Principal Collections and maintained by the Cash/Bond Administrator in the Transaction Account.
<b>“Principal Paying Agent”</b>	means Citibank, N.A., London Branch or any successor thereto.
<b>“Principal Receipts”</b>	has the meaning given to such term in Note Condition 4(k) ( <i>Determinations and Reconciliation</i> ).
<b>“Priority of Payments”</b>	means the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments, as applicable.

<b>“Product Switch”</b>	<p>means a variation:</p> <p>(a) to the period of the applicable rate of interest applied to a Loan;</p> <p>(b) to the rate of interest applied to a Loan; and/or</p> <p>(c) to the final maturity date of a Loan,</p> <p>where such variation can take effect on or after the date when an existing fixed or discounted interest rate expires or at any time when the interest rate applicable to the relevant Loan is the reversionary rate, provided that, for the avoidance of doubt, a Product Switch shall not mean any arrangement entered into with a Borrower as part of an arrears management, debt rehabilitation or Enforcement Procedure (for example if a Loan is in arrears and a fixed rate payment schedule is agreed with a Borrower to enable arrears to be cleared or the term of the Loan is extended to assist a Borrower in financial difficulties).</p>
<b>“Product Switch Effective Date”</b>	<p>means, in relation any Loan, the date upon which the Product Switch becomes effective so that the new interest rate is applied to that Loan from this date and/or the new term and/or period of the applicable interest rate of the Loan applies.</p>
<b>“Product Switch Loan”</b>	<p>means a Loan where a Product Switch has been offered to the relevant Borrower and the Borrower has accepted such offer.</p>
<b>“Product Switch Offer”</b>	<p>means an offer to a Borrower of a Product Switch.</p>
<b>“Property”</b>	<p>means, in relation to a Loan, the freehold or long leasehold residential property situated in England or Wales upon which the obligations of the Borrower are secured.</p>
<b>“Proposed Replacement Legal Title-Holder”</b>	<p>means any replacement legal title-holder proposed by the Legal Title-Holder Facilitator pursuant to the terms of the Mortgage Administration Agreement.</p>
<b>“Proposed Replacement Mortgage Administrator”</b>	<p>means any replacement mortgage administrator proposed by the Mortgage Administration Facilitator pursuant to the terms of the Mortgage Administration Agreement.</p>
<b>“Prospectus”</b>	<p>means this prospectus of the Issuer for the purposes of the Prospectus Directive.</p>
<b>“Prospectus Directive”</b>	<p>means EU Directive 2003/71/EC (as amended).</p>
<b>“Provisions for Meetings of Noteholders”</b>	<p>means the provisions contained in Schedule 7 of the Trust Deed.</p>
<b>“Provisional Completion Mortgage Pool”</b>	<p>means the Loans proposed to be included in the Mortgage Pool as at the Cut-Off Date with the characteristics set out in the section entitled “<i>Constitution of the Mortgage Pool</i>”.</p>
<b>“Prudential Regulation Authority” or “PRA”</b>	<p>means the Prudential Regulation Authority which replaced the FSA on 1 April 2013.</p>
<b>“Prudent Mortgage Lender”</b>	<p>means a reasonably prudent mortgage lender acting in a manner consistent with that of an experienced lender, servicer or administrator of residential mortgage loans lending to borrowers in England and Wales who include the recently self-employed, independent contractors, temporary employees</p>

and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital.

**“Quarterly Servicing Fee”**

means the Quarterly Servicing Fee payable to the Legal Title-Holder in respect of the performance of the Legal Title-Holder Duties by the Legal Title-Holder pursuant to the Mortgage Administration Agreement.

**“R Collection Account”**

means the collection account (into which credit or debit card payments from Borrowers in relation to the mortgage loans will be paid) means the account in the name of Kensington Mortgage Company Limited held with the R Collection Accounts Provider with sort code 20-19-90 and account number 73193241; or (x) such replacement account(s) as may be established from time to time so long as these accounts are subject to a declaration of trust in favour of the Issuer, the relevant account holding bank has the rating referred to in Clause 5 (*Change of Bank or Cash/Bond Administrator*) of the R Collection Account Agreement and such account holding bank enters into an agreement on substantially the same terms as the R Collection Account Agreement, or (y) such other replacement account(s) as may be established from time to time in accordance with the Transaction Documents.

**“R Collection Account Agreement”**

means the agreement so named dated 17 December 2015 between, *inter alios*, the Issuer and the Collection Accounts Provider.

**“R Collection Account Beneficiary Accession Agreement”**

means the accession agreement in respect of the R Collection Account Agreement dated on or about the Issue Date between, *inter alios*, KMC, the Issuer and the Trustee.

**“R Collection Account Declaration of Trust”**

means each declaration of trust dated 17 December 2015 created in favour of the Issuer (amongst others) in respect of KMC's interest in the R Collection Account to the extent that interest relates to the Loans in the Mortgage Pool.

**“R Collection Account Supplemental Deed of Declaration of Trust”**

means the deed dated on or about the Issue Date between KMC, the Issuer and the Trustee and which is supplemental to the R Collection Account Declaration of Trust.

**“R Collection Account Trustee Accession Agreement”**

means the trustee accession agreement in respect of the R Collection Account Agreement dated on or about the Issue Date between, *inter alios*, KMC, the Issuer and the Trustee.

**“RAO”**

means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended).

**“Rated Notes”**

means the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the X Notes.

**“Rate of Interest”**

means the relevant Floating Rate of Interest.

**“Rating Agencies”**

means Moody's and Fitch and “**Rating Agency**” means either of them.

**“Rating Agency Confirmation”**

means written confirmation from each Rating Agency (or

certification from the Issuer to the Trustee that the Issuer has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in the then current ratings of each Class of Notes rated thereby being qualified, downgraded or withdrawn and, if relevant, the Issuer delivers a copy of each such confirmation to the Trustee, or the Issuer certifies in writing that the Rating Agencies then rating the Notes have been informed of the proposed modification and none of the Rating Agencies have indicated that such modification would result in a qualification, downgrade or withdrawal of the then current ratings of each Class of Notes rated thereby.

<b>“Recalcitrant Holder”</b>	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
<b>“Receiver”</b>	means any receiver, manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with clause 10 ( <i>Receiver</i> ) of the Deed of Charge.
<b>“Reconciliation Amount”</b>	has the meaning given to such term in Note Condition 4(k) ( <i>Determinations and Reconciliation</i> ).
<b>“Redemption Event”</b>	means the earlier to occur of (i) the Final Maturity Date, (ii) the Interest Payment Date on which the relevant Notes are redeemed in accordance with Note Condition 5(d) ( <i>Optional Redemption in Full</i> ) or Note Condition 5(e) ( <i>Optional Redemption for Taxation or Other Reasons</i> ) and (iii) the date on which the E Notes have been redeemed in full.
<b>“Redenominated Notes”</b>	has the meaning given to that term in Note Condition 16(b) ( <i>Redenomination</i> ).
<b>“Redenomination Date”</b>	has the meaning given to that term in Note Condition 16(a) ( <i>Notice of redenomination</i> ).
<b>“Reference Banks”</b>	has the meaning given to that term in Note Condition 4(i) ( <i>Reference Banks</i> ).
<b>“Registrar”</b>	means Citibank, N.A., London Branch or any successor thereto.
<b>“Regulated Mortgage Contract”</b>	means any regulated mortgage contract under FSMA.
<b>“Regulation S”</b>	means Regulation S of the Securities Act.
<b>“Relevant Implementation Date”</b>	has the meaning given to such term in the section entitled “ <i>Purchase and Sale</i> ”.
<b>“Relevant Information”</b>	has the meaning given to such term in the Risk Factor entitled “ <i>Conflicts of interest</i> ”.
<b>“Relevant Margin”</b>	has the meaning given to such term in Note Condition 4(c) ( <i>Rate of Interest</i> ).
<b>“Relevant Member State”</b>	has the meaning given to such term in the section entitled “ <i>Purchase and Sale</i> ”.
<b>“Relevant Notes Fitch Rating”</b>	has the meaning given to such term in the section entitled “ <i>Overview of Credit Structure and Cash Flow – Triggers Tables</i> ”.

<b>“Relevant Period”</b>	means three years from the date of advance of the relevant Loan to the Borrower.
<b>“Relevant Period End Date”</b>	has the meaning given to such term in the Swap Agreement.
<b>“Relevant Rules”</b>	means the rules and guidance of the Financial Services Authority or any successor regulatory authority implementing CRD.
<b>“Repayment Loan”</b>	means a Loan under the terms of which monthly instalments covering both interest and principal are payable by the Borrower until the Loan is fully repaid by its maturity in accordance with the relevant Loan Conditions.
<b>“Reporting FI”</b>	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
<b>“Repurchase Date”</b>	means the date on which a Loan or Shortfall Loan is repurchased by the Seller or KMC (or an affiliate thereof).
<b>“Repurchase Price”</b>	means a cash payment to the Issuer or to such person as the Issuer may direct, in an amount equal to: <ul style="list-style-type: none"> <li>(a) 100 per cent. of the principal amount outstanding of the relevant Loan as at the Repurchase Date;</li> <li>(b) interest accrued on the Loan in that month up and to including the date falling immediately before the Repurchase Date, minus an amount equal to any interest paid in advance to the Issuer, provided that if the amount calculated in accordance with this paragraph (b) is negative this amount will be deemed to be zero for the purposes of the cash payment made to the Issuer, and the Issuer will pay the Legal Title Holder the absolute value of such negative amount on the relevant Repurchase Date (and such payment amount shall be debited to the Revenue Ledger); and</li> <li>(c) an amount equal to all amounts (other than such amounts as set out in (a) and (b) above) which are due and payable as at the Repurchase Date under that Loan; and</li> <li>(d) with respect to repurchase as a result of a breach of a Warranty or if an Asset Repurchase Trigger occurs or if a Liquidity Reserve Fund Trigger Event has occurred only, the reasonable legal costs of the Issuer incurred in relation to such repurchase.</li> </ul>
<b>“Reserve Interest Rate”</b>	has the meaning given to such term in Note Condition 4(c)(ii) ( <i>Rate of Interest</i> ).
<b>“Residual Payment”</b>	means: <ul style="list-style-type: none"> <li>(a) prior to the delivery of an Enforcement Notice, for an Interest Payment Date, the amount by which Available Revenue Funds exceed the amounts required to satisfy items (i) to (xxii) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date and items (i) to (viii) of the Pre-Enforcement Principal Priority of Payments; and</li> </ul>

- (b) following the delivery of an Enforcement Notice, for any date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Enforcement Priority of Payments exceeds the amounts required to satisfy items (i) to (xiii) of the Post-Enforcement Priority of Payments on that date.

<b>“Retained Interest”</b>	means Kayl Holdco's holding of exposure to the E Notes and the Z Notes in an amount such that the total nominal value of exposure to the E Notes and the Z Notes held by it is at least equal to 5 per cent. of the nominal value of the Mortgage Pool as at the Issue Date from time to time in an amount sufficient to satisfy the Retention Requirement.
<b>“Retention”</b>	means at any date an amount or amounts to be advanced under a Loan but retained as at that date pending satisfaction of the Retention Conditions.
<b>“Retention Conditions”</b>	means, in relation to a Retention, the conditions for the release of such Retention, as described in the relevant letter of offer to the relevant Borrower from the Originator.
<b>“Retention Letter”</b>	means the retention letter dated the Issue Date between, among others, the Issuer, the Trustee and Kayl Holdco.
<b>“Retention Requirement”</b>	means the requirement for Kayl Holdco to retain, on an ongoing basis as an originator within the meaning of the CRR, a material net economic interest of at least 5 per cent. in the securitisation, in accordance with Article 405(1)(d) of the CRR and Article 51(1)(d) of the AIFMD Level 2 Regulation (EU) 2015/35 and Article 254(2)(d) of the Solvency II Delegated Act.
<b>“Return Amounts”</b>	means Return Amounts as defined in a Credit Support Annex.
<b>“Revenue Collections”</b>	means an amount determined by the Cash/Bond Administrator on a Determination Date being the aggregate of: <ul style="list-style-type: none"><li>(a) all payments of interest, fees, breakage costs and other sums not comprising Principal Collections, if any, received by the Issuer in relation to the Loans in the Mortgage Pool in respect of the Determination Period ending immediately prior to such Determination Date;</li><li>(b) recoveries received by the Issuer and allocable to interest upon an enforcement of the Collateral Security, and recoveries received by the Issuer and allocable to interest upon a purchase or a repurchase of any Loans or Shortfall Loans in the Mortgage Pool by the relevant Seller KMC or any affiliate thereof in accordance with the terms of the Kayl/Issuer Mortgage Sale Agreement and/or the KWL/Issuer Mortgage Sale Agreement, as applicable, in each case received by the Issuer in the Determination Period ending immediately prior to such Determination Date; and</li></ul>

	(c) all Mortgage Early Redemption Amounts in respect of the Determination Period ending immediately prior to such Determination Date.
<b>“Revenue Ledger”</b>	means the ledger of such name created and maintained by the Cash/Bond Administrator in the Transaction Account.
<b>“Revenue Receipts”</b>	has the meaning given to such term in Note Condition 4(k) ( <i>Determinations and Reconciliation</i> ).
<b>“Revenue Shortfall”</b>	means, on each Determination Date, the amount by which the Initial Available Revenue for the immediately following Interest Payment Date is insufficient to provide for payment of Senior Fees, the interest on the A Notes and/or subject to the relevant PDL Condition in respect of a Revenue Shortfall on the B Notes, the interest on the B Notes, in the Pre-Enforcement Revenue Priority of Payments on the immediately following Interest Payment Date.
<b>“Right to Buy Loan”</b>	means a loan which is intended for a Borrower who wishes to use the Loan in order to purchase a property pursuant to the UK government’s Right to Buy Scheme.
<b>“S&amp;P”</b>	means Standard & Poor’s Ratings Services, a division of Standard & Poor’s Credit Market Services Europe Limited.
<b>“Screen Rate”</b>	has the meaning given to it in Note Condition 4(c) ( <i>Rate of Interest</i> ).
<b>“Secured Creditors”</b>	means each of the following: <ul style="list-style-type: none"> <li>(a) the Noteholders;</li> <li>(b) the Trustee;</li> <li>(c) the Joint Lead Managers;</li> <li>(d) the Arranger;</li> <li>(e) any Receiver (in its capacity as a creditor secured by the Deed of Charge);</li> <li>(f) the Agents;</li> <li>(g) the Cash/Bond Administrator;</li> <li>(h) the Standby Cash/Bond Administrator;</li> <li>(i) the Mortgage Administrator;</li> <li>(j) the Mortgage Administration Facilitator;</li> <li>(k) the Swap Counterparty;</li> <li>(l) the Account Bank;</li> <li>(m) the Swap Collateral Account Bank;</li> <li>(n) the Collection Accounts Provider;</li> <li>(o) the Corporate Services Provider;</li> <li>(p) the Sellers;</li> <li>(q) the Legal Title-Holder;</li> <li>(r) the Legal Title-Holder Facilitator;</li> <li>(s) the GIC Provider;</li> <li>(t) the Custodian;</li> <li>(u) the Certificateholders; and</li> </ul>

	(v) any party who accedes to the Deed of Charge and any other person who is expressed in any deed supplemental to the Deed of Charge to be a Secured Creditor.
<b>“Securities Act”</b>	means the United States Securities Act of 1933, as amended.
<b>“Security”</b>	means the security created in favour of the Trustee by, and contained in or granted pursuant to the Deed of Charge.
<b>“Self Certified Loan”</b>	means Loans in respect of which income and employment details of the Borrower are not substantiated by supporting documentation.
<b>“Sellers”</b>	means each of Kayl acting as Seller of the Loans under the Kayl/Issuer Mortgage Sale Agreement and KWL acting as a Seller of the Loans under the KWL/Issuer Mortgage Sale Agreement and a reference to <b>“Seller”</b> shall be construed accordingly.
<b>“Senior Fees”</b>	means the fees and any other amount due and payable under items (i) to (v) of the Pre-Enforcement Revenue Priority of Payments.
<b>“Senior Notes”</b>	means the A Notes, the B Notes, the C Notes, the D Notes and the E Notes.
<b>“Service Specification”</b>	means the service specification effective from the date of the Mortgage Administration Agreement which defines the scope of the Services to be carried out by the Mortgage Administrator, as from time to time amended or supplemented by the agreement of the Mortgage Administrator and Legal Title-Holder using the Change Control Mechanism and/or as required by a Regulatory Authority and/or Applicable Law.
<b>“Services”</b>	means the specific duties of the Mortgage Administrator agreed to be performed by it in the Mortgage Administration Agreement.
<b>“Shortfall”</b>	means, on each Determination Date, the amount by which the Initial Available Revenue for the immediately following Interest Payment Date is insufficient to provide for payment of items (i) to (xiii) of the Pre-Enforcement Revenue Priority of Payments on the immediately following Interest Payment Date.
<b>“Shortfall Loan”</b>	means a Loan in relation to which the Property has been sold and the Mortgage released, but where: <ul style="list-style-type: none"> <li>(a) the application of the net proceeds of sale were insufficient to repay the Loan in full; or</li> <li>(b) a balance remains outstanding with respect to that Loan.</li> </ul>
<b>“Shortfall Loan Repurchase Amount”</b>	means an amount equal to equal to the product of (a) the amount outstanding under the relevant Shortfall Loan and (b) 0.50 per cent.
<b>“Solvency II”</b>	means Directive 2009/138/EC.
<b>“SRR”</b>	means the special resolution regime.
<b>“Standard Documentation”</b>	means the documents used by the relevant lender in connection



	with its activities as residential mortgage lender in relation to the origination of the relevant Loans in substantially the forms identified in Appendix C ( <i>Standard Documents</i> ) to the Kayl/Issuer Mortgage Sale Agreement or Appendix C ( <i>Standard Documents</i> ) to the KWL/Issuer Mortgage Sale Agreement as the case may be and such other documents as may from time to time be substituted or added thereto.
<b>“Standby Cash/Bond Administrator”</b>	means Wells Fargo Bank International or any successor thereto.
<b>“Standby Cash/Bond Administration Agreement”</b>	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Standby Cash/Bond Administrator.
<b>“Start-Up Costs Ledger”</b>	means the separate ledger within the Transaction Account into which the Issuer will pay an amount in respect of Issuer Costs and Expenses on the Issue Date from part of the proceeds of the issuance of the X Notes.
<b>“Step-Up Date”</b>	means the Interest Payment Date falling in May 2019.
<b>“Stirling Square KWL Mortgage Sale Agreement”</b>	means the mortgage sale agreement dated on or about the Issue Date between KMC Stirling Square Limited, the Legal Title-Holder and KWL.
<b>“Stirling Square PL Mortgage Sale Agreement”</b>	means the mortgage sale agreement dated on or about the Issue Date between KMC Stirling Square Limited, the Legal Title-Holder and Kayl.
<b>“Subscribed Notes”</b>	means, other than the E Notes and the Z Notes, the £299,200,000 Class A Notes due 2058, the £15,840,000 Class B Notes due 2058, the £15,840,000 Class C Notes due 2058, the £10,560,000 Class D Notes due 2058 and the £4,400,000 Class X Notes due 2058.
<b>“Substitute Loans”</b>	means such alternative residential Loans of an appropriate value which are substituted in the Mortgage Pool by the Seller following a breach of warranty.
<b>“Swap Agreement”</b>	means the 1992 ISDA Master Agreement (Multicurrency – Cross Border) dated on or about the Issue Date (together with the schedule, the confirmation relating to an Interest Rate Swap, the Credit Support Annex and any amendment agreements thereto) between the Issuer and the Swap Counterparty, or any replacement agreement between the Issuer and the Swap Counterparty as a consequence of a failure to take appropriate remedial action following a Swap Counterparty Required Rating Downgrade.
<b>“Swap Cash Collateral Account”</b>	means each of the following cash accounts held with the Swap Collateral Account Bank in connection with the Swap Agreement with sort code 18-50-08 account number 17528558 denominated in sterling, sort code 18-50-08 account number 17528531 denominated in euro and sort code 18-50-08 account number 17528523 denominated in U.S.\$ to which any Swap Collateral in the form of cash provided by the Swap Counterparty is credited.

<b>“Swap Cash-Linked Collateral Account”</b>	means each of the following cash accounts held with the Swap Collateral Account Bank in connection with the Swap Agreement with sort code 18-50-08 and account number 17528477 in sterling, sort code 18-50-08 account number 17457561 denominated in euro and sort code 18-50-08 account number 17528469 denominated in U.S.\$ to which any Swap Collateral in the form of income or principal in cash received in relation to the securities which are held in the Swap Securities Collateral Account is credited.
<b>“Swap Collateral”</b>	means any collateral which may be provided by the Swap Counterparty in accordance with the terms of the Swap Agreement.
<b>“Swap Collateral Account Bank”</b>	means Citibank, N.A., London Branch in its capacity as interest rate swap collateral account bank.
<b>“Swap Collateral Account Bank Agreement”</b>	means the agreement pursuant to which the Swap Collateral Account Bank is appointed.
<b>“Swap Collateral Accounts”</b>	means the Swap Cash Collateral Account, the Swap Cash-Linked Collateral Account and the Swap Securities Collateral Account.
<b>“Swap Counterparty”</b>	means BNP Paribas, London Branch in its capacity as interest rate swap counterparty pursuant to the Swap Agreement and any permitted successor thereto in such capacity.
<b>“Swap Counterparty Required Rating”</b>	means a Swap First Trigger Required Rating or a Swap Second Trigger Required Rating, as applicable, and <b>“Swap Counterparty Required Ratings”</b> shall be construed accordingly.
<b>“Swap Counterparty Required Rating Downgrade”</b>	means the failure of the Swap Counterparty to maintain a Swap First Trigger Required Rating or a Swap Second Trigger Required Rating, as applicable, in accordance with the provisions of the Swap Agreement.
<b>“Swap Excluded Payable Amounts”</b>	means any amounts payable by the Issuer to the Swap Counterparty (i) that represent Return Amounts, Interest Amounts or Distributions due under a Credit Support Annex (for the purposes of this definition <b>“Interest Amounts”</b> and <b>“Distributions”</b> have the meaning given to them in the Swap Agreement); (ii) that are termination payments to the extent such payments can be satisfied from Swap Collateral provided by the Swap Counterparty; or (iii) that are termination payments to the extent such payment can be satisfied from premiums received from a replacement Swap Counterparty.
<b>“Swap Excluded Receivable Amounts”</b>	means (i) any amount of interest actually determined in respect of the principal amount of the portion of the Credit Support Balance (as defined in the Swap Agreement) comprised of cash (net of any deduction or withholding for or on account of any tax), (ii) all principal, interest and other payments and distributions of cash or other property received (net of any deduction or withholding for or on account of any tax) by the Issuer from time to time with respect to any Eligible Credit

	Support (as defined in the Swap Agreement) comprised in the Credit Support Balance consisting of securities, (iii) any other amounts received by the Issuer pursuant to a Credit Support Annex, (iv) any early termination payment received by the Issuer from the Swap Counterparty until a new fixed/floating swap has been entered into and/or (v) any premiums received by the Issuer from a replacement Swap Counterparty to the extent required to pay termination payments to the existing Swap Counterparty.
<b>“Swap First Trigger Required Rating”</b>	has the meaning given to it in the section entitled “ <i>Triggers Table</i> ”.
<b>“Swap Second Trigger Required Rating”</b>	has the meaning given to it in the section entitled “ <i>Triggers Table</i> ”.
<b>“Swap Securities Collateral Account”</b>	means the securities account held with the Swap Collateral Account Bank in connection with the Swap Agreement to which any Swap Collateral in the form of securities provided by the Swap Counterparty is credited.
<b>“Swap Subordinated Amounts”</b>	means any termination payment due to the Swap Counterparty which arises due to either (i) an Event of Default (as defined in the Swap Agreement) where the Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement) or (ii) an Additional Termination Event (as defined in the Swap Agreement) which occurs as a result of a Swap Counterparty Required Rating Downgrade.
<b>“Tax Regulations”</b>	means the Taxation of Securitisation Companies Regulations 2006 made under section 84 of the Finance Act 2005, now section 624 of the Corporate Tax Act 2010.
<b>“Termination Date”</b>	has the meaning given to such term in the Swap Agreement (as applicable).
<b>“Three Month Sterling LIBOR” or “3 Month Sterling LIBOR”</b>	means three-month LIBOR.
<b>“Title Insurance Policy”</b>	means a policy of insurance in respect of title (howsoever described) to a Property and First Title Limited, the provider of such insurance policies, the “ <b>Title Insurance Provider</b> ”.
<b>“Transaction Account”</b>	means the account in the name of the Issuer at the Account Bank, sort code 18-50-08, account number 17528132, or such other replacement account as may be established from time to time in accordance with the Transaction Documents.
<b>“Transaction Documents”</b>	means the Master Definitions Schedule, the Bank Agreement, the Swap Collateral Account Bank Agreement, the Collection Account (Initial) Agreement, the Main Collection Account Agreement, the F Collection Account Agreement, the F Collection Account Beneficiary Accession Agreement, the F Collection Account Trustee Accession Agreement, the R Collection Account Agreement, the R Collection Account Beneficiary Accession Agreement, the R Collection Account Trustee Accession Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement,

the Collection Account (Initial) Declaration of Trust, the Main Collection Account Declaration of Trust, the F Collection Account Declaration of Trust, the F Collection Account Supplemental Deed of Declaration of Trust, the R Collection Account Declaration of Trust, the R Collection Account Supplemental Deed of Declaration of Trust, the Swap Agreement, the Corporate Services Agreement, the Deed Poll, the Deed of Charge, the Mortgage Administration Agreement, the Note Purchase Agreement, the Kayl/Issuer Mortgage Sale Agreement, the KWL/Issuer Mortgage Sale Agreement, the Retention Letter, the Parent Share Trust Deed, the Parent Term Loan Agreement, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement and any other document agreed between the Issuer and the Trustee to be a Transaction Document.

**“Transaction Parties”**

means each of the following:

- (a) the Trustee;
- (b) the Agents;
- (c) the Cash/Bond Administrator;
- (d) the Standby Cash/Bond Administrator;
- (e) the Mortgage Administrator;
- (f) the Mortgage Administration Facilitator;
- (g) the Legal Title-Holder;
- (h) the Legal Title-Holder Facilitator;
- (i) the Swap Counterparty;
- (j) the Account Bank;
- (k) the Collection Accounts Provider;
- (l) the Corporate Services Provider;
- (m) the Sellers;
- (n) the GIC Provider;
- (o) the Swap Collateral Account Bank; and
- (p) the Custodian.

**“Transfer Agent”**

means Citibank, N.A., London Branch or any successor thereto.

**“Treaty”**

means the Treaty on the functioning of the European Union (as amended).

**“Trust Deed”**

means the trust deed to be entered into between the Issuer and the Trustee on or about the Issue Date.

**“Trustee”**

means Wells Fargo Trust Corporation Limited in its capacity as trustee for the Noteholders or any successor thereto and for the Secured Creditors appointed in respect of the Security created pursuant to the Deed of Charge and any supplemental Deed of Charge and such term shall include its successors and assigns.

**“Unfair Commercial Practices Directive”**

means the directive on unfair business-to-consumer commercial practices adopted by the European Parliament and the Council on 11 May 2005.

**“U.S.\$”**

are references to the lawful currency of the United States of

	America.
“US-UK IGA”	has the meaning given to such term in the section entitled “U.S. Foreign Account Tax Compliance”.
“UTCCR”	means the 1999 Regulations and (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994.
“VAT”	shall be construed as a reference to value added tax as that term is used in the Value Added Tax Act 1994 and all subsequent amendments thereto, and shall include any similar tax which may be imposed in addition thereto or in place thereof from time to time.
“Verified Noteholder”	means a Noteholder which has satisfied the Trustee or any other relevant Transaction Party that it is a Noteholder in accordance with Note Condition 11(g) ( <i>Evidence of Notes</i> ).
“Warranties”	means, in relation to the Loans, the representations, warranties and undertakings referred to in clause 7 ( <i>Warranties and Representations</i> ) of the Kayl/Issuer Mortgage Sale Agreement or of the KWL/Issuer Mortgage Sale Agreement, as applicable.
“Weighted Average Original LTV”	means, in respect of the Loans in the Mortgage Pool, the weighted average of the original loan balance divided by the property valuation against which the Loan was underwritten.
“WFTCL”	means Wells Fargo Trust Corporation Limited.
“X Noteholder”	means the persons who are for the time being holders of the X Notes.
“X Notes”	means the £4,400,000 Class X Floating Rate Note due 2058 and, unless stated to the contrary, all references to “X Note” shall be construed as a reference to such Note whether in global or definitive form.
“X Global Note”	means the Global Note representing the X Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Global Note</i> ) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
“X Residual Amount”	has the meaning given to such term in Note Condition 4(j) ( <i>Deferral of Interest</i> ).
“Z Noteholder”	means the persons who are for the time being holders of the Z Notes.
“Z Notes”	means the £7,040,000 Class Z Notes due 2058 and, unless stated to the contrary, all references to “Z Note” shall be construed as a reference to such Note whether in global or definitive form.
“Z Global Note”	means the Global Note representing the Z Notes, which will be substantially in the form set out in Schedule 1 ( <i>Form of Global Note</i> ) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
“Z Residual Amount”	has the meaning given to such term in Note Condition 4(j) ( <i>Deferral of Interest</i> ).

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