

## INCOME CONTINGENT STUDENT LOANS 1 (2002-2006) PLC

(incorporated in England and Wales with limited liability, registered number 10596240)

Class of Notes	Initial Note Principal Amount	Issue Price	Interest rate	Ratings (Fitch / S&P)	Final Maturity Date
Class A1 Notes	£810,573,000	99.030%	12 month LIBOR + 1.0% per annum*	Asf/A(sf)	The Distribution Date falling in 2056
Class A2 Notes	£697,057,000	93.123%	2.5% per annum	Asf/A(sf)	The Distribution Date falling in 2056
Class B Notes	£120,610,000	86.550%	Index Rate <sup>‡</sup> + 1.45% per annum	BBBsf/ BBB(sf)	The Distribution Date falling in 2056
Class X Notes	£1,919,125,000	8.500%	0.5%** per annum plus profit participating interest representing remaining Available Receipts	Unrated	The Distribution Date falling in 2056

\* LIBOR as applicable to the Class A1 Notes is subject to a floor such that LIBOR will be zero if the rate of LIBOR as determined is less than zero.

‡ The Index Rate as applicable to the Class B Notes is subject to a floor and a cap such that the Index Rate will be (i) zero if the Index Rate as determined is zero or negative and (ii) 5% if the Index Rate as determined is greater than 5%.

\*\* The fixed rate as applicable to the Class X Notes will be reduced to 0.25% (if the Test B First Threshold applies) or 0% (if the Test B Second Threshold applies).

**Note Issuance Date** The Issuer will issue the class A1 asset backed floating rate notes (the "**Class A1 Notes**"), the class A2 asset backed fixed rate notes (the "**Class A2 Notes**", and together with the Class A1 Notes, the "**Class A Notes**"), the class B asset backed index linked notes (the "**Class B Notes**") and the class X asset backed notes (the "**Class X Notes**" and, together with the Class A Notes and the Class B Notes, the "**Notes**") on 13 December 2017 (the "**Note Issuance Date**"). "**Class**" means, in relation to the Notes, each or any of the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class X Notes, as the context may require.

**Offered Notes** The Class A Notes and the Class B Notes are being offered pursuant to this Prospectus (the "**Offered Notes**"). The Class X Notes are not being offered pursuant to this Prospectus.

**Underlying Assets** The principal assets from which the Issuer will make payments on the Notes is a portfolio (the "**Portfolio**") of income-contingent repayment ("**ICR**") student loans (the "**Transferred Loans**") provided by Her Majesty's Government of Great Britain and Northern Ireland acting through the Secretary of State for Education (the "**Secretary of State**", "**SoS**" or the "**Seller**"). Please refer to the section entitled "*Characteristics of the Portfolio*" for further details.

Interest will be payable annually in arrear on the 24<sup>th</sup> day of July in each year for each Class of Notes, with the first date for the payment of interest being 24<sup>th</sup> July 2018.

**Credit Enhancement** Prior to the service by the Note Trustee of an Acceleration Notice, interest payments on the Class A Notes have the benefit of credit enhancement provided through the subordination of principal payments on the Class A Notes, the Class B Notes and the Class X Notes and interest payments on the Class B

## Notes and the Class X Notes.

Prior to the service by the Note Trustee of an Acceleration Notice, principal payments on the Class A1 Notes have the benefit of credit enhancement provided through the subordination of principal payments on the Class B Notes and the Class X Notes. However, in the event of a Test A Breach which is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.

Prior to the service by the Note Trustee of an Acceleration Notice, payments of Class A2 Note Amortisation Amounts have the benefit of credit enhancement provided through the subordination of principal payments on the Class A1 Notes, the Class B Notes and the Class X Notes. However, in the event of a Test A Breach that is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.

Following the service by the Note Trustee of an Acceleration Notice, the Class A Notes have the benefit of credit enhancement provided through the subordination, both as to payment of principal and interest and on enforcement of the Security, of the Class B Notes and the Class X Notes.

Prior to the service by the Note Trustee of an Acceleration Notice, interest payments on the Class B Notes have the benefit of credit enhancement provided through the subordination of principal payments on the Class A1 Notes (assuming there has been no Test A Breach which is then continuing), the Class B Notes and the Class X Notes and interest payments on the Class X Notes.

Principal payments on the Class B Notes have the benefit of credit enhancement provided through the subordination of principal payments on the Class X Notes.

Following the service by the Note Trustee of an Acceleration Notice, the Class B Notes have the benefit of credit enhancement provided through the subordination, both as to payment of principal and interest and on enforcement of the Security, of the Class X Notes.

Redemption Provisions	Information on any optional and mandatory redemption of the Notes is summarised in the section entitled " <i>Transaction Overview - Summary of the Terms and Conditions of the Notes</i> " and set out in full in Condition 5 ( <i>Redemption</i> ).
Credit Rating Agencies	As of the date of this Prospectus, each of Fitch Ratings Ltd. (" <b>Fitch</b> ") and Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited (" <b>S&amp;P</b> " and, together with Fitch, the " <b>Rating Agencies</b> ") is a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the " <b>CRA Regulation</b> ") as amended by Regulation (EU) No 513/2011 and by Regulation (EU) No 462/2013 (" <b>CRA3</b> ") and are included in the list of registered credit rating agencies published on the website of European Securities and Markets Authority at <a href="http://www.esma.europa.eu">www.esma.europa.eu</a> .
Credit Ratings	Ratings are expected to be assigned to the Class A1 Notes, the Class A2 Notes and the Class B Notes on or before the Note Issuance Date. The Class X Notes will not be rated. The ratings reflect the views of the Rating Agencies and are based on the Transferred Loans and the structural features of the transaction. The assignment of ratings to the Offered Notes is not a recommendation to invest in the Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating

organisation. Any credit rating assigned to the Offered Notes may be revised, suspended or withdrawn at any time.

Listing	<p>This Prospectus has been approved by the Financial Conduct Authority (the "<b>FCA</b>"), as competent authority under the Financial Services and Markets Act 2000 (the "<b>FSMA</b>") for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (together the "<b>Prospectus Directive</b>"). This document constitutes with respect to the Offered Notes a Prospectus for the purposes of the Prospectus Directive and relevant implementing provisions in England. Application has been made to the FCA in its capacity as competent authority under the FSMA for the Class A1 Notes, the Class A2 Notes and the Class B Notes to be admitted to the official list of the UK Listing Authority (the "<b>Official List</b>") and to the London Stock Exchange (the "<b>London Stock Exchange</b>") for such Notes to be admitted to trading on its regulated market (the "<b>Regulated Market</b>"). The Regulated Market is a regulated market for the purposes of Directive 2004/39/EC.</p> <p>No application will be made for the Class X Notes to be admitted to the Official List or for the Class X Notes to be admitted to trading on the London Stock Exchange and its Regulated Market. The FCA has not reviewed and not approved any information in relation to the Class X Notes. No document has been prepared in relation to the Class X Notes that would constitute a prospectus for the purposes of the Prospectus Directive.</p>
Recourse Issuer's Obligations	<p>The Notes will be obligations of the Issuer only. The Notes will not be obligations of Her Majesty's Government of Great Britain and Northern Ireland (the "<b>Government</b>"), the Secretary of State, UKGI, SLC or HMRC or any other entity named in the Prospectus.</p>
Limited Recourse	<p>All the Notes 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 Condition 2.5 (<i>Limited Recourse and non petition</i>).</p>
Non Petition	<p>The Noteholders, the other Secured Creditors (or any other person acting on behalf of any of them) and each other party to the Transaction Documents shall not be entitled to take any action or commence any proceedings (except for the Security Trustee or Note Trustee as permitted pursuant to the Transaction Documents) or petition a court for the liquidation of the Issuer, nor enter into any arrangement, reorganisation or Insolvency Proceedings in relation to the Issuer whether under the laws of England and Wales or other applicable bankruptcy laws until two years and one day after the payment or extinguishment of all Secured Obligations of the Issuer. Please see Condition 2.5 (<i>Limited Recourse and non petition</i>).</p>
Retention Undertaking	<p>On and from the Note Issuance Date, the Seller, as originator, will undertake to the Issuer and the Security Trustee that it will retain a material net economic interest of at least 5% of the nominal value of the securitised exposures in accordance with Article 405 of the Capital Requirements Regulation (EU) No 575/2013 ("<b>CRR</b>"), Article 51 of Section 5 of Chapter III of the Commission Delegated Regulation (EU) No 231/2013 ("<b>AIFMR</b>") supplementing the Alternative Investment Fund Managers Directive 2011/61/EU ("<b>AIFMD</b>") and Article 254 of Commission Delegated Regulation (EU) 2015/35 ("<b>Solvency II Regulation</b>"). On the Note Issuance Date, such interest will, in accordance with Article 405 paragraph 1, subparagraph (c) of the CRR, Article 51 paragraph 1, subparagraph (c) of the AIFMR and Article 254, paragraph 2, subparagraph (c) of the Solvency II Regulation be comprised of an interest in randomly selected exposures, equivalent to no less than 5% of the nominal amount of the securitised exposures. In exceptional circumstances the Seller may hold a</p>

material net economic interest in another manner permitted by Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation. The Seller's continued holding of the retained exposures and its compliance with Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation will be disclosed on an ongoing basis in the Investor Reports to be provided in respect of the Portfolio and the Notes.

**Volcker Rule** The Issuer has been structured so as not to constitute a "covered fund" for the purposes of the regulations adopted to implement Section 619 of the Dodd-Frank Act (such statutory provision together with such implementing regulations, the "**Volcker Rule**"). In making this determination, the Issuer is relying on the "loan securitization exclusion" under sub-section 10(c)(8) of the Volcker Rule although other exclusions or exemptions may also be available to the Issuer.

**U.S. Risk Retention** The issuance of the Notes was not designed to comply with the U.S. Risk Retention Rules (other than the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules) and no steps (other than steps to comply with the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules) have been taken by the Issuer, the Seller, the Arranger, the Joint Lead Managers, the Joint Bookrunners, any of their affiliates or any other party to accomplish such compliance. There can be no assurance that the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available.

None of the Note Trustee, the Arranger, the Joint Lead Managers or any other party (apart from the Seller) provides any assurances regarding, or assumes any responsibility for, the Seller's compliance with the U.S. Risk Retention Rules prior to, on or after the Note Issuance Date.

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

**Arranger**

**BARCLAYS**

**Joint Lead Managers and Joint Bookrunners**

**BARCLAYS**

**J.P. MORGAN**

**LLOYDS BANK PLC**

**CREDIT SUISSE SECURITIES (EUROPE)  
LIMITED**

The date of this Prospectus is 7 December 2017

## IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY THE GOVERNMENT, THE SECRETARY OF STATE, UKGI, HMRC OR SLC (IN ANY CAPACITY IN RESPECT OF THE TRANSACTION AS FURTHER DESCRIBED HEREIN), THE ARRANGER, THE JOINT LEAD MANAGERS, THE JOINT BOOKRUNNERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, HOLDCO, ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE AFOREMENTIONED OR BY ANY PERSON OTHER THAN THE ISSUER.

The Offered Notes will each be represented on issue by a global note certificate in registered form (a "**Global Note**"). The Class X Notes will be represented by definitive note certificates in registered form. A Global Note will be exchangeable for the relevant Note in definitive registered form under certain circumstances (please see section entitled "*Description of the Notes in global form*" below).

The Offered Notes are intended to be held in a manner which will allow Eurosystem eligibility. This does not mean that the Offered Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon, among other matters, satisfaction of the Eurosystem eligibility criteria.

The Offered Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**"). The Offered Notes may not be sold or delivered, directly or indirectly, in the United States or to any U.S. persons within the meaning of Regulation S under the Securities Act ("**U.S. Persons**") (for further information, please see the section entitled "*Subscription and sale – Selling Restrictions*" below) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Seller intends to rely on an exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions that meet certain requirements. Consequently, the Notes offered and sold in this offering may not be purchased by, or for the account or benefit of, any "U.S. persons" as defined in the U.S. Risk Retention Rules ("**Risk Retention U.S. Persons**"). Prospective investors should note that, although the definition of "U.S. person" in the U.S. Risk Retention Rules is similar to the definition of "U.S. person" in Regulation S, there are substantive differences between the two definitions. See "*Risk Factors – Legal, Regulatory and Tax Risk – Regulatory changes – U.S. Risk Retention*" below. Each purchaser of Notes acquired in the initial distribution of the Notes (other than the Placement Agents, the Arranger, the Joint Lead Managers and the Joint Bookrunners), including beneficial interests therein, by its acquisition of the Notes or a beneficial interest therein will be deemed to, and in certain circumstances (including as a condition to placing an order to purchase Notes) will be required to, represent and agree that: (1) it is not a Risk Retention U.S. Person and is not acquiring the Notes (or a beneficial interest therein) for the account or benefit of Risk Retention U.S. Persons, (2) it is not acquiring such Notes (or a beneficial interest therein) with a view to distribution of such Notes, and (3) it is not acquiring such Notes or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules described in "*Risk Factors – Legal, Regulatory and Tax Risk – Regulatory changes – U.S. Risk Retention*"). See "*Subscription and Sale – U.S. Risk Retention – Investor Representation*", "*Risk retention and disclosure*" and "*Risk Factors – Legal, Regulatory and Tax Risk – Regulatory changes – U.S. Risk Retention*" below. Notwithstanding the foregoing, the Seller may agree that a portion of the Notes may be sold to, or for the account or benefit of, Risk Retention U.S. Persons in accordance with the exemption under Section \_\_.20 of the U.S. Risk Retention Rules and such Risk Retention U.S. Persons to whom such Notes are sold, or for whose

account or benefit such Notes are sold, will not be deemed or required to make the representations in (1) and (3) above.

This document is for distribution in the United Kingdom only to persons who (i) are investment professionals within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (all such persons together being referred to as "**relevant persons**"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. All applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") in relation to the securities in, from or otherwise involving the United Kingdom will be complied with; and all communications of any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) will be made in connection with the issue or sale of any securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The distribution of this Prospectus and the offering of the Offered Notes in certain jurisdictions may be restricted by law. No representation is made by the Issuer, the Government, the Secretary of State, UKGI, HMRC, SLC, the Note Trustee, the Security Trustee, HoldCo, the Agents, the Arranger, Joint Lead Managers or the Joint Bookrunners that this Prospectus may be lawfully distributed, or that the Offered Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this Prospectus for the purposes of the Prospectus Directive, no action has been taken by the Issuer, the Government, the Secretary of State, UKGI, HMRC, SLC, the Note Trustee, the Security Trustee, the Agents, HoldCo, the Arranger, Joint Lead Managers or the Joint Bookrunners which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Offered Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Government, the Secretary of State, UKGI, HMRC, SLC, the Note Trustee, the Security Trustee, the Agents, HoldCo, the Arranger, Joint Lead Managers and the Joint Bookrunners to inform themselves about and to observe any such restrictions.

The Notes are not intended for investment by retail investors and this Prospectus has not been prepared for distribution to retail investors.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Secretary of State accepts responsibility for the information in this document set out in the section entitled "*Risk retention and disclosure*" and the information in this document describing the Transferred Loans and the Portfolio, receipt of payments in connection with and servicing of the Transferred Loans, and the roles played by the Secretary of State in the transaction in its capacities as Seller and Master Servicer set out in the sections entitled "*Secretary of State for Education*", "*The*

*Transferred Loans*", *"Servicing and Processing of ICR Loans"* and *"Characteristics of the Portfolio"*. The Secretary of State also accepts responsibility for the information in this document describing the role played by UKGI in the transaction in its capacity as a Delegate set out in the sections entitled *"UKGI"*, *"The Transferred Loans"* and *"Servicing and Processing of ICR Loans"* and the role played by HMRC in the transaction in its capacity as a Delegate set out in the sections entitled *"HMRC"*, *"The Transferred Loans"* and *"Servicing and Processing of ICR Loans"* and the Secretary of State accepts responsibility for the information in this document describing the role played by SLC in the transaction in its capacity as a Delegate set out in the sections entitled *"SLC"*, *"The Transferred Loans"* and *"Servicing and Processing of ICR Loans"* (together, the **"Government Information"**) and, to the best of the knowledge and belief of the Secretary of State (which has taken all reasonable care to ensure that such is the case), such Government Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Secretary of State as to the accuracy or completeness of any information contained in this Prospectus (other than the Government Information).

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by UKGI, HMRC, SLC, the Agents, HoldCo, the Note Trustee, the Security Trustee, the Arranger, Joint Lead Managers or the Joint Bookrunners as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with the Offered Notes or their distribution.

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

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

Payments of interest and principal in respect of the Offered Notes will be subject to any applicable withholding taxes, without the Issuer or any other person being obliged to pay additional amounts therefor. Investors should see the section of this Prospectus entitled *"Terms and Conditions of the*

*Notes — Condition 10 (Taxation)*" for further details. Payments of interest on the Offered Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Offered Notes continue to be listed on a "**recognised stock exchange**" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for such purposes. Securities will be treated as listed on the London Stock Exchange if they are listed and admitted to trading by the Main Market of the London Stock Exchange. Provided, therefore, that the Offered Notes remain so listed (and there is no change in applicable tax laws), interest on the Offered Notes will be payable without withholding or deduction on account of United Kingdom tax.

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

#### **Freedom of Information Act and other public disclosures by government entities**

The Secretary of State, UKGI, SLC, HMRC and the Government generally are subject to oversight and review and information requests in carrying out their activities, including those related to the ICR Loans, the Transaction and the offering of the Notes. Such reviews and information requests include, but are not limited to, a request under the Freedom of Information Act 2000, a National Audit Office report, questions raised by a Parliamentary Select Committee, judicial review proceedings or pursuant to the Environmental Information Regulations 2004. Such reviews and information request may be conducted publicly or otherwise lead to information being made public pursuant to requirements of law or established conventions of governance. The Secretary of State, UKGI, SLC, HMRC or the Government (as applicable) would consider such requests for information on a case by case basis in determining whether or not to make a public disclosure, taking into account commercial considerations and market conventions, although such decisions may be subject to third party review. Potential investors in the Notes should be aware that, among other matters, and in common with other capital market transactions undertaken by the Government from time to time, such disclosure could include the fact of their investment in the Notes.

#### **Forward-Looking Statements**

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

**Important notice to Class X Note investors: The Class X Notes are not being offered pursuant to this Prospectus. The Class X Notes are not admitted to trading on any stock exchange and no application has been made, or will be made, for the Class X Notes to be so admitted.**

**No Class X Noteholder or prospective Class X Noteholder should place reliance on the content of this Prospectus in relation to any decision to invest in the Class X Notes.**

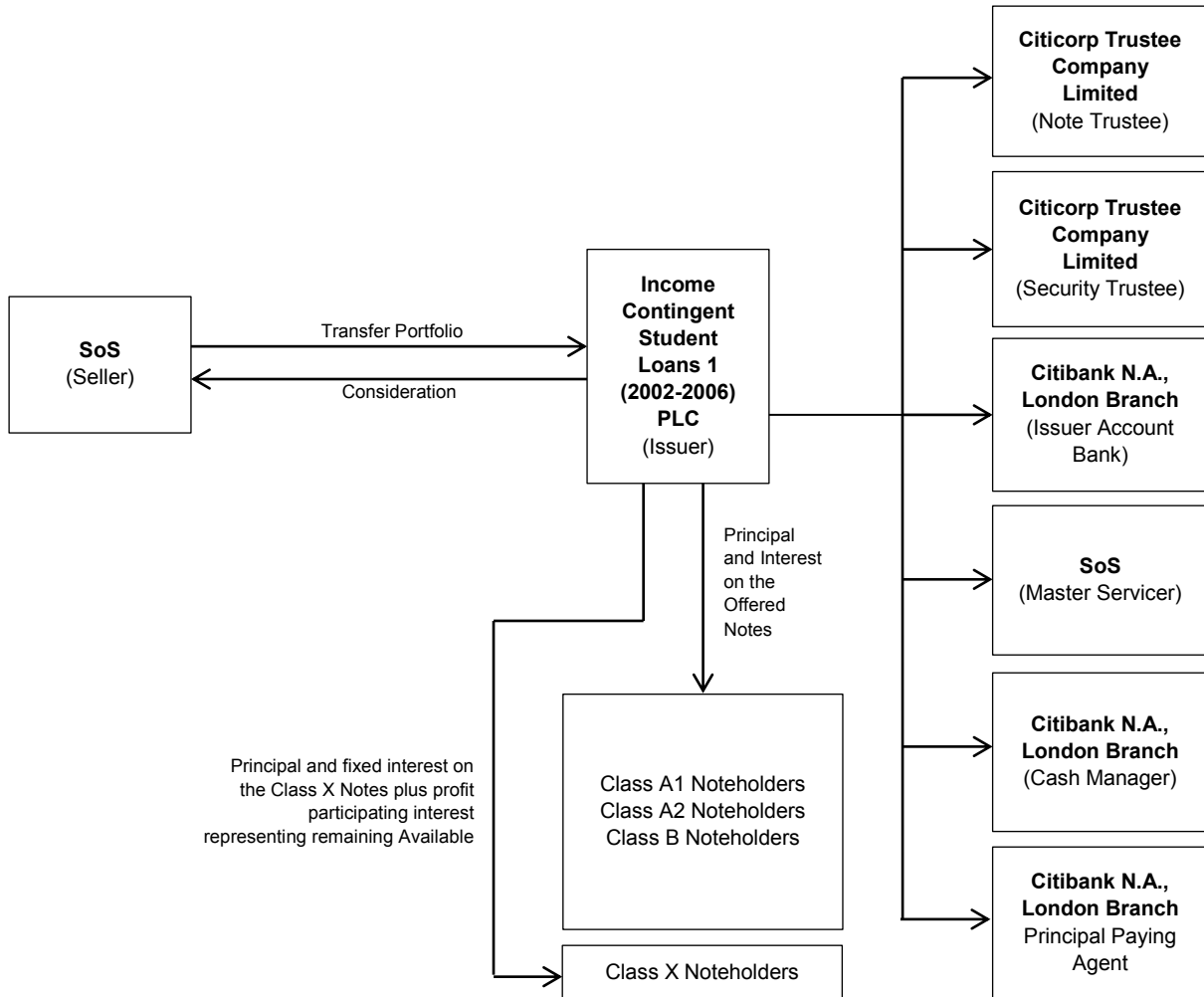


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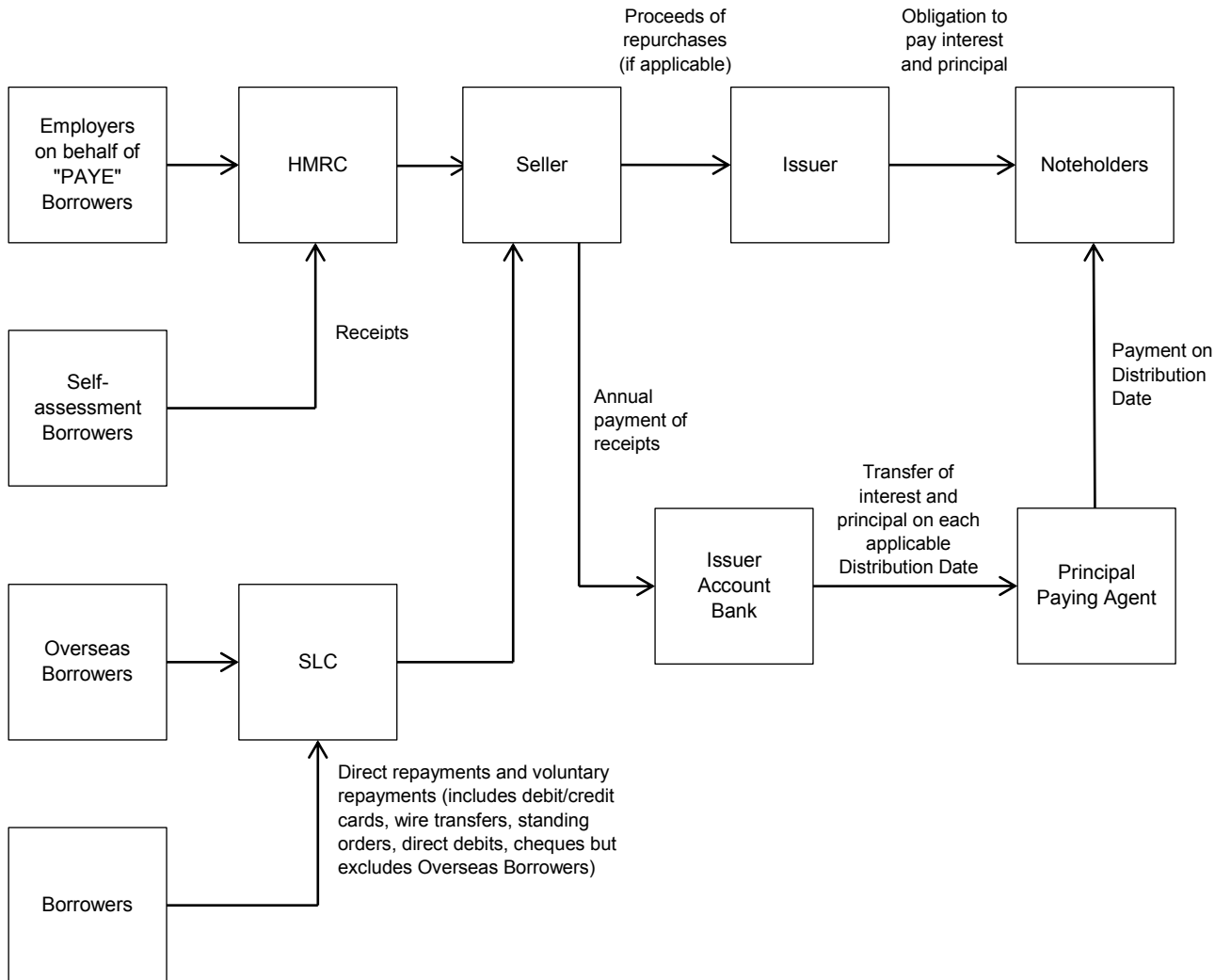
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# STRUCTURE DIAGRAMS

## DIAGRAMMATIC OVERVIEW OF TRANSACTION

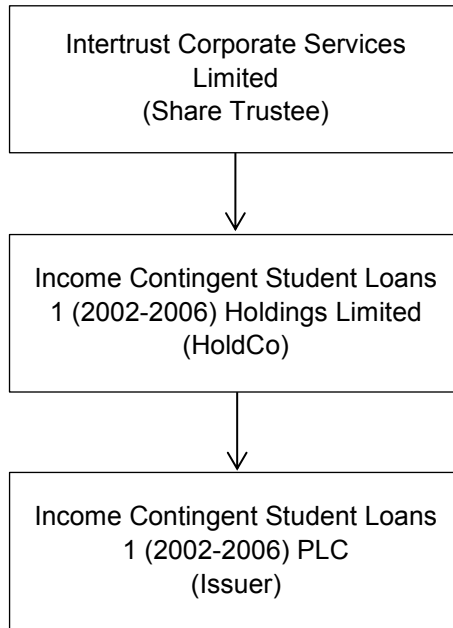


### DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS



The current arrangements for collecting payments dictate the timing of cash flows for the Transaction. The Seller as Master Servicer will, on an annual basis, transfer Recorded Receipts to the Issuer Transaction Account on Transferred Loans in respect of the preceding Accounts Period. The Cash Manager will administer the Issuer Bank Accounts for the Issuer and instruct payment of interest and principal to Noteholders (through the Principal Paying Agent) in accordance with the Priorities of Payments as set out in the section entitled "Cash flows".

### OWNERSHIP STRUCTURE OF THE ISSUER



*The above diagram illustrates the ownership structure of the special purpose company that is party to the Transaction, as follows:*

- The Issuer is a wholly owned subsidiary of HoldCo in respect of its beneficial ownership.
- HoldCo is a wholly owned subsidiary of the Share Trustee in respect of its beneficial ownership.
- The entire issued share capital of HoldCo is held on trust by the Share Trustee under the terms of a discretionary trust (the "**HoldCo Share Trust**").

Neither the Issuer, HoldCo nor the Share Trustee is owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Government or the Seller.

**TRANSACTION OVERVIEW**

**A. TRANSACTION PARTIES ON THE NOTE ISSUANCE DATE**

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed / party appointing / further information</b>
<b>Issuer</b>	Income Contingent Student Loans 1 (2002-2006) PLC	35 Great St Helen's London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
<b>HoldCo</b>	Income Contingent Student Loans 1 (2002-2006) Holdings Limited	35 Great St Helen's London EC3A 6AP	See the section entitled " <i>HoldCo</i> " for further information.
<b>Seller</b>	The Secretary of State	Sanctuary Buildings 20 Great Smith Street London SW1P 3BT	See the section entitled " <i>The Secretary of State for Education</i> " and " <i>Summary of the Key Transaction Documents – Loan Sale Agreement</i> " for further information.
<b>Master Servicer</b>	The Secretary of State	Sanctuary Buildings 20 Great Smith Street London SW1P 3BT	Master Servicing Agreement by the Issuer. In addition, the Master Servicer will have in place certain internal arrangements with UKGI, HMRC and SLC in relation to the performance of servicing and collection activities.  See the section entitled " <i>Summary of the Key Transaction Documents – Master Servicing Agreement</i> " for further information.
<b>Cash Manager</b>	Citibank N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Cash Management Agreement by the Issuer.  See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " for further information.
<b>Note Trustee</b>	Citicorp Trustee Company Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Note Trust Deed by the Issuer.  See the section entitled " <i>Summary of the Key Transaction Documents – Note Trust Deed</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed / party appointing / further information</b>
<b>Security Trustee</b>	Citicorp Trustee Company Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Deed of Charge by the Issuer.  See the section entitled " <i>Summary of the Key Transaction Documents – Deed of Charge</i> " for further information.
<b>Issuer Account Bank</b>	Citibank N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Issuer Bank Account Agreement by the Issuer.  See the section entitled " <i>Summary of the Key Transaction Documents – Issuer Bank Account Agreement</i> " for further information.
<b>Corporate Services Provider</b>	Intertrust Management Limited	35 Great St Helen's London EC3A 6AP	Corporate Services Agreement by the Issuer.  See the section entitled " <i>Summary of the Key Transaction Documents – Corporate Services Agreement</i> " for further information.
<b>Principal Paying Agent</b>	Citibank N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Agency Agreement by the Issuer.  See the section entitled " <i>Summary of the Key Transaction Documents – Agency Agreement</i> " for further information.
<b>Registrar and Calculation Agent</b>	Citibank N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Agency Agreement by the Issuer.  See the section entitled " <i>Summary of the Key Transaction Documents – Agency Agreement</i> " for further information.
<b>Share Trustee</b>	Intertrust Corporate Services Limited	35 Great St Helen's London EC3A 6AP	HoldCo Share Trust.
<b>Arranger, Joint Lead Manager and Joint Bookrunner</b>	Barclays Bank PLC	5 The North Colonnade Canary Wharf London E14 4BB	See the section " <i>Subscription and Sale</i> " for further information.
<b>Joint Lead Manager and Joint Bookrunner</b>	J.P. Morgan Securities plc	25 Bank Street Canary Wharf London E14 5JP	See the section " <i>Subscription and Sale</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed / party appointing / further information</b>
<b>Joint Lead Manager and Joint Bookrunner</b>	Lloyds Bank plc	10 Gresham Street London EC2V 7AE	See the section " <i>Subscription and Sale</i> " for further information.
<b>Joint Lead Manager and Joint Bookrunner</b>	Credit Suisse Securities (Europe) Ltd	One Cabot Square London E14 4QJ	See the section " <i>Subscription and Sale</i> " for further information.
<b>Rating Agencies</b>	Fitch and S&P	-	See the section " <i>Ratings</i> " for further information.

## B. PORTFOLIO AND SERVICING

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

### **Transfer of Portfolio:**

The primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Receipts generated by the Transferred Loans included in the Portfolio. Pursuant to the loan sale agreement entered into between the Issuer, the Seller and the Security Trustee (the "**Loan Sale Agreement**"), the Seller has agreed to transfer all of its rights and obligations (but excluding the Excluded Amounts and subject to the Seller's right to amend the Transferred Loans in its capacity as Secretary of State) in respect of the Transferred Loans to the Issuer on the Note Issuance Date. The sale by the Seller to the Issuer of each Transferred Loan will be given effect by a "transfer arrangement" pursuant to the Sale of Student Loans Act 2008 (the "**Act**").

The Seller will sell the Transferred Loans with the benefit of the Outstanding Amount of the Transferred Loans as at a balance date of the Cut-Off Date as recorded on the computer systems operated by the Master Servicer (or its Delegates) as at the Final Extraction Date.

The Loan Sale Agreement will therefore constitute a "transfer arrangement" pursuant to the Act. Transfer arrangements (as well as any "further transfer arrangements" entered into in the future for any onward transfer of legal rights and obligations originally transferred by the Seller to the Issuer) pursuant to the Act will effect a transfer of rights and obligations under the Transferred Loans without giving notice to, or obtaining consent from, the individual student to whom that loan was made (the "**Borrower**"). It is expected that the Secretary of State will, however, procure such notification to the Borrowers within three months of sale of their Transferred Loans, taking reasonable steps to do so, as this is a requirement on the Secretary of State under the Act. The Issuer will not be required to take any steps to complete or perfect its title to the Transferred Loans and the effectiveness of the transfer is not dependent on notification of the sale to the Borrowers.

No Excluded Amounts shall be sold to the Issuer pursuant to the Loan Sale Agreement and all such amounts shall be retained by the Seller (or for the other entities or agencies of the Government which are entitled to such amounts at law) for its or their own account. The Seller shall also retain all rights to amend the Transferred Loans which it may exercise in its capacity as the Secretary of State, provided such amendments are made in accordance with the Compensation Events provisions (if applicable). See the section of this Prospectus entitled "*Transaction Overview – Portfolio and Servicing – Compensation Payments*".



**Receipts on the transferred Portfolio:**

Receipts on the Transferred Loans will be received and processed by the Master Servicer at different times depending on the applicable receipt channel. For further information, please see the section entitled "*Servicing and Processing of ICR Loans*" below.

Payments of receipts from Borrowers will be made by the Master Servicer to the Issuer based on the amounts (excluding, for the avoidance of doubt, any Excluded Amounts) received from Borrowers under the Transferred Loans which are shown as recorded in the Loan Account Records maintained on the computer systems operated by the Master Servicer (or its Delegates) (the "**Recorded Receipts**") during the Accounts Period (the first period being 1 April 2016 to 31 March 2017) as determined on the applicable Nil Return Sweep Date (the first being 30 April 2018).

For the avoidance of doubt, where amounts are applied by the Master Servicer to Loan Account Records after the end of an Accounts Period, but are recorded prior to the applicable Nil Return Sweep Date as relating to such Accounts Period, they will still be treated as falling within Recorded Receipts to be paid by the Master Servicer to the Issuer on the immediately following MS Payment Date.

Subject to the applicable Priority of Payments, the Issuer will apply the following amounts in relation to the Transferred Loans on the first Distribution Date in July 2018 to make payment of, among other things, principal and interest due on the Notes:

- PAYE Receipts, being receipts received through the pay as you earn tax receipt system operated by HMRC through which employers make tax and National Insurance deductions from employees' salaries for remittance to HMRC, which are expected to relate to the first PAYE Receipt Period (6 April 2016 to 5 April 2017 but may include earlier periods to the extent not already recorded to the Borrower's Loan Account Record);
- Direct Receipts, being receipts received in the form of cheques, wire transfers, standing orders, direct debits, or debit or credit card payments other than through the UK Tax System, which are expected to relate to the first Direct Receipt Period (1 April 2016 to 31 March 2017 but may include earlier periods to the extent not already recorded to the Borrower's Loan Account Record); and
- Self-Assessment Receipts, being receipts received in respect of a Borrower's assessment for UK income tax (other than amounts collected through PAYE), which are expected to relate to the first SA Receipt Period (6 April 2016 to 5 April 2017 where such receipts correspond to the SA Earnings Period (6 April 2015 to 5 April 2016) but may include earlier periods to the extent not already recorded to the Borrower's Loan Account Record).

**Key features of the ICR Loans:**

The Transferred Loans will consist of student loans within the meaning of section 1(2) of the Act (the "**ICR Loans**"), being loans made by the Secretary of State in accordance with regulations under section 22 of the Teaching and Higher Education Act 1998 as amended from time to time (the "**THEA**") to eligible students (the "**Eligible Students**") pursuant to a student loan agreement between each Borrower and the Secretary of State under which the relevant Student Loan was advanced (the "**Loan Agreement**"). Each Borrower's Loan Agreement with the Seller is made up of the loan terms set out in loan regulations (the "**Loan Regulations**"), being statutory instruments made under section 22 of the THEA relating to any Transferred Loans and in the "loan request" form signed by the Borrower in the application process. The Loan Regulations specify key aspects of the loans such as, but not limited to, the interest rate, repayment threshold above which a Borrower's income or earnings are subject to deductions as repayments towards ICR Loans (the "**Repayment Threshold**") and repayment rate (the "**Repayment Rate**").

The Transferred Loans are governed by English law.

The Transferred Loans are income-contingent repayment loans and therefore the Borrowers are not required to make repayments unless their income for any tax year is over the Repayment Threshold. The Repayment Rate is 9% of the relevant Borrower's earnings above the Repayment Threshold and ICR Loans bear interest at a rate which is the lower of (a) the Interest Rate Cap and (b) the percentage increase between the actual rate of RPI on which interest is determined in the March immediately prior to the start of the academic year and the preceding March. The Transferred Loans are not secured or guaranteed.

A Borrower is liable to make repayments on their ICR Loan from the statutory repayment due date (the "**SRDD**") being the first 6 April immediately following a Borrower's completion of, or end of participation in, their course until the loan is either repaid or cancelled in full (for example, due to the Borrower's death, permanent inability to work or reaching the age of 65). However, a Borrower is only obliged to make repayments if their income exceeds the Repayment Threshold.

Repayments on ICR Loans (including the Transferred Loans) are collected either as (a) Tax-Related Receipts (being payments received by HMRC (i) from employers relating to deductions from PAYE Borrowers' earnings or (ii) from Borrowers subject to the self-assessment tax regime) or (b) Direct Receipts (being amounts received by SLC in respect of Overseas Borrowers, Borrowers making voluntary payments in respect of the relevant ICR Loans and Borrowers opting to make payments directly to SLC in the final 23 months of their ICR Loan). For the Accounts Period ending 31 March 2016, 86.4% of repayments on ICR Loans were collected as PAYE Receipts, 9.5% were collected as Self-Assessment Receipts and 4.1% were collected as Direct Receipts.

The Repayment Regulations prescribe when repayments are deemed to have been received by the Seller as follows: (i) for Direct Receipts on the actual date of receipt; (ii) for PAYE Receipts on the last day of the calendar month; and (iii) for Self-Assessment Receipts on 31 January after the tax year to which they relate. Following the sale of the Portfolio, the Issuer will be treated as receiving Receipts made on the Transferred Loans on the same date as the Seller is deemed to have received Receipts on ICR Loans in accordance with the Repayment Regulations although Receipts will not be passed to the Issuer until each MS Payment Date.

ICR Loans are not discharged following a Borrower's bankruptcy or IVA. This policy was implemented on 1 September 2004 in relation to a Borrower's bankruptcy debts and on 6 April 2010 in relation to IVAs.

For further information, please see the section entitled "*The Transferred Loans*" below.

#### **The Transferred Loans:**

On 31 March 2016 (the "**Cut-Off Date**") the Seller applied the following criteria (the "**Eligibility Criteria**") to establish which ICR Loans would be eligible for acquisition by the Issuer pursuant to the Loan Sale Agreement.

- the ICR Loan has an SRDD between April 2002 and April 2006;
- the ICR Loan was made to Borrowers who started new courses between 1 September 1998 and 31 August 2012 (a "**Plan 1 Loan**");
- the ICR Loan was advanced by the Seller (and not by any of the Ministers for the Economy in Northern Ireland, the Scottish Ministers or the Welsh Government, (together the "**Devolved Administrations**"));
- the ICR Loan was made to an Eligible Student domiciled in England;
- the ICR Loan is a Maintenance Loan;
- the ICR Loan was made to a Borrower aged 16 or above as at the date the ICR Loan was first advanced to the Borrower;
- the ICR Loan is not subject to the statutory cancellation rules applicable to ICR Loans from 1 September 2006 for Plan 1 Loans pursuant to which a Borrower's liability to repay is cancelled 25 years after the SRDD; or
- the ICR Loan is not an Excluded Loan and is still in existence.

Following the Cut-Off Date, having applied the Eligibility Criteria on such date, and on 30 April 2017 (the "**Final Extraction Date**") the Seller removed all Excluded Loans from the Provisional Portfolio. An "**Excluded Loan**" is an ICR Loan

where, as at the Final Extraction Date:

- the Borrower, in relation to the ICR Loan, has also taken out an ICR Loan granted to Eligible Students for a new course commencing on or after 1 September 2012 (a "**Plan 2 Loan**");
- the Borrower in relation to the ICR Loan also has or had a loan qualifying for the Repayment of Teachers' Loans Scheme;
- the ICR Loan was in the process of being written off, including where the Borrower had been confirmed as deceased or as having a Long Term Disability;
- the Borrower will have reached the age of 65 or above by 31 December 2017;
- the ICR Loan was marked as "incorrectly amalgamated" in CLASS (SLC's customer account system) because two distinct Borrowers have incorrectly been linked in a single Borrower record;
- the ICR Loan had been fully repaid or identified by SLC as "full repayment in process";
- the Borrower has not notified SLC that he is an Overseas Borrower and did not have a NiNo Validated;
- the ICR Loan has been flagged by SLC as potentially fraudulent or potentially suspect due to potentially fraudulent activities committed at origination;
- conflicting information is stored by SLC in relation to different customer IDs of a Borrower;
- the duplicate accounts in relation to ICR Loans of the Borrower are merged into one account during remediation and such ICR Loan would otherwise be excluded from the Portfolio;
- the account in relation to the ICR Loans of a Borrower indicates that interest and other charges have only accrued to a date which is earlier than the end of the last completed tax year;
- the ICR Loan has a balance less than £120; or
- the Borrower has no earnings in each year from its latest SRDD to the Cut-Off Date, as recorded in the systems of SLC.

**Key characteristics of the Provisional Portfolio:**

As of the Cut-Off Date, the Provisional Portfolio had the following key characteristics:

Aggregate Transferred Loan balance	£3,726,516,887
Number of Borrowers	432,025

Average Transferred Loan's balance per Borrower	£8,626
Number of Transferred Loans	1,260,422
Largest Transferred Loan (Outstanding Amount on the Cut-Off Date)	£46,228
Average Transferred Loan balance (Outstanding Amount on the Cut-Off Date)	£2,956
Weighted average seasoning (months)	126

Approximately 3.8% of the Transferred Loans comprising the Provisional Portfolio are Transferred Loans currently with Overseas Borrowers.

**Purchase Price:**

£1,714,900,677, being the net proceeds of the Notes (after payment of fees for the establishment of the Issuer and its agents and payment of fees and legal expenses of the Arranger and the Joint Lead Managers and stamp duty to be paid by the Issuer on the Note Issuance Date pursuant to the Class X Note Purchase Agreements) to, among others, pay the Purchase Price to the Seller for the acquisition of the Portfolio from the Seller on the Note Issuance Date. Please see section "Use of Proceeds" below.

**Loan Warranties:**

The Issuer will have the benefit of the Loan Warranties given, or to be given, by the Seller as at the Final Extraction Date in relation to the Transferred Loans being sold by the Seller on the Note Issuance Date.

The Loan Warranties include the following:

- the Transferred Loans were, as at the Final Extraction Date, randomly selected by the Seller from ICR Loans that satisfy the Eligibility Criteria;
- as at the Note Issuance Date, immediately prior to the sale under the Loan Sale Agreement, the Seller holds, and the Seller or another Secretary of State of Her Majesty's Government have been the only holders of, absolute legal and beneficial title in and to each Transferred Loan free and clear of any Security Interest;
- the Transferred Loans are freely transferable and no approvals, consents or other steps are necessary to permit a legal transfer of the Transferred Loans; and
- none of the Loan Agreements contains any obligation to make further advances or to permit redrawings.

The Loan Warranties are summarised in the section of this Prospectus entitled "*Summary of the Key Transaction Documents — Loan Sale Agreement*".

**Remedy for breach of Loan Warranty:**

No later than 45 calendar days prior to each MS Payment Date, the Seller shall, to the extent that the Responsible Person is aware, notify the Issuer and the Security Trustee of any breach of Loan Warranty. If (a) there is a breach of any of

the Loan Warranties in respect of any Transferred Loan or if any of those Loan Warranties proves to have been untrue when made by the Seller; and (b) such breach or untruth, if it was capable of remedy, is not remedied to the satisfaction of the Issuer or, following the service of an Acceleration Notice, the Security Trustee, no later than 15 Business Days prior to the MS Payment Date following any notice as set out above, the Seller will be required to send a Loan Repurchase Notice no later than 5 Business Days prior to such MS Payment Date to the Issuer or the Security Trustee as applicable, and repurchase (or in case the Transferred Loan has never existed or has ceased to exist on the date on which it is otherwise due to be repurchased (a "**Non-Existent Loan**"), make a payment to the Issuer in respect of) any of the Transferred Loans identified in the Loan Repurchase Notice.

On the MS Payment Date following the date of receipt of a Loan Repurchase Notice, the Seller shall in respect of the Transferred Loans identified in such Loan Repurchase Notice:

- (a) repurchase the relevant Transferred Loan(s) that are not Non-Existent Loan(s) from the Issuer by paying the Repurchase Price to the Issuer Transaction Account (or as the Issuer shall otherwise direct);
- (b) pay an amount equal to the Repurchase Price for the Transferred Loan(s) that are Non-Existent Loan(s) to the Issuer Transaction Account (or as the Issuer shall otherwise direct).

Without prejudice to any rights of the Issuer to require the repurchase of any Transferred Loan or to make a payment in relation to a Non-Existent Loan, the Seller will only actively monitor compliance with the Loan Warranties on an annual basis for three years after the Note Issuance Date.

Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement*" for further details.

**Consideration for repurchase;  
breach of warranty:**

The consideration payable in respect of any existing Transferred Loan to be repurchased will be equal to the Outstanding Amount of the relevant Transferred Loan multiplied by the Purchase Price Percentage. This aggregate value will be calculated on the basis of the Transferred Loan data available to the Seller as at the last day of the Accounts Period (the "**Period End Date**") which falls within the calendar year which is two calendar years prior to the date on which such repurchase is to be effected. All receipts received on such Transferred Loan from the Period End Date shall be retained by the Seller.

The amount payable in respect of a Non-Existent Loan will be equal to the Outstanding Amount for such Non-Existent Loan as at the Period End Date which falls within the calendar year which is two calendar years prior to the first MS Payment Date falling after such ICR Loan being identified as a Non-Existent Loan, multiplied by the Purchase Price Percentage, save that the amount payable in respect of a Non-Existent Loan on the

first MS Payment Date will be an amount equal to the Outstanding Amount of the Non-Existent Loan as at the end of the 2015-2016 financial year multiplied by the Purchase Price Percentage.

**Repurchase; UK Tax System:**

If the Master Servicer ceases to collect repayments for all the Transferred Loans (excluding receipts in relation to Overseas Borrowers and those receipts which Borrowers have voluntarily moved to direct debit or another method of receipt) through the UK Tax System, the Seller shall repurchase all outstanding Transferred Loans held by the Issuer for the Repurchase Price.

**"UK Tax System"** means the system or systems for assessing and collecting taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom (or any political subdivision thereof or any authority therein or thereof having power to tax) operated by HMRC (or any merged or successor entity or transferee of its obligations) from time to time.

Completion of such repurchase shall take place on the MS Payment Date immediately prior to the Early Redemption Date (which shall be a Distribution Date).

Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement*" for further details.

**Repurchase; Issuer optional redemption events:**

If the Issuer elects, or is directed, by the Note Trustee acting on the instructions of the Senior Class then Outstanding, to redeem all (but not some only) of the Notes in accordance with Condition 5.6 (*Redemption for indexation reasons*), the Seller shall, on receipt of written notice of the Issuer in accordance with Clause 8.7(b) (*Repurchase; Issuer optional redemption*) of the Loan Sale Agreement, repurchase all outstanding Transferred Loans held by the Issuer for the Repurchase Price.

Completion of such repurchase shall take place on the MS Payment Date immediately prior to the date specified in the notice of redemption in accordance with Condition 5.6 (*Redemption for indexation reasons*) (which shall be a Distribution Date).

The consideration payable for such a repurchase will be equal to the Repurchase Price.

**Repurchase; Estimated Receipts:**

If the Master Servicer has made payment of Estimated Receipts for three consecutive MS Payment Dates then the Seller may or, on the written direction of the Issuer (as directed by the Note Trustee acting on the instructions of each Class of Noteholder by way of Ordinary Resolution) shall, by giving notice at least 90 days prior to the next following MS Payment Date, repurchase all outstanding Transferred Loans held by the Issuer for the Repurchase Price on such MS Payment Date. If no such direction is given by the Issuer, the Issuer (as directed by the Note Trustee acting on the instructions of each Class of Noteholder by way of Ordinary

Resolution) shall be entitled to direct the Seller to repurchase all outstanding Transferred Loans on any subsequent MS Payment Date provided that the Issuer has given the Seller at least 90 days' prior written notice and the Master Servicer is continuing to make payment of Estimated Receipts.

The consideration payable for such a repurchase will be equal to the Repurchase Price.

Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement*" for further details.

**Repurchase; Teacher Forgiveness Event**

If a Teacher Forgiveness Event has occurred, the Seller shall, by giving at least 30 days prior written notice to the Issuer, repurchase all outstanding Transferred Loans held by the Issuer which are Teacher Forgiveness Loans for the Repurchase Price.

Completion of such repurchase shall take place on the MS Payment Date immediately following the date on which the Seller has given notice of repurchase as described above. If the notice of repurchase is given less than 30 days prior to an MS Payment Date, then the completion of such repurchase shall take place on the next MS Payment Date immediately following such MS Payment Date.

Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement*" for further details.

**Repurchase; CCA Event:**

If a CCA Event has occurred, the Seller may, at its option, by giving at least 30 days prior written notice to the Issuer, repurchase all outstanding Transferred Loans held by the Issuer for the Repurchase Price.

Completion of such repurchase shall take place on the MS Payment Date immediately prior to the Early Redemption Date (which shall be a Distribution Date). In such circumstance the Issuer shall apply the Repurchase Price in redemption of the Notes pursuant to and subject to the further conditions specified in Condition 5.4 (*Early redemption; UK Tax System or CCA Event*) and the other conditions thereto being satisfied.

Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement*" for further details.

**Compensation Payments:**

Key aspects of the Transferred Loans (such as interest rate, its method of calculation, Repayment Threshold and Repayment Rate) are set out in the Loan Regulations. The Secretary of State, in its capacity as Seller, will retain control over these and other amendments to the Loan Regulations. Under the Loan Sale Agreement the Secretary of State will agree to pay compensation to the Issuer if amendments which are Compensation Events are made to the Transferred Loans.

Compensation payments are only intended to protect the



Issuer against the net negative impact on cash flows of changes to the Loan Terms of the Transferred Loans as a consequence of a Compensation Event. For the avoidance of doubt, no Compensation Payment will be made by the Seller in respect of a repayment that would not have actually been made by the Borrower if the Compensation Event had not occurred. Nothing in the Loan Sale Agreement shall constitute a guarantee or similar obligation by the Seller in respect of any Transferred Loan.

In respect of certain Compensation Events no compensation payments may be made by the Seller to the Issuer until the affected Transferred Loan has been repaid or written-off in full.

Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement*" for further details.

**Servicing of the Portfolio:**

The Master Servicer will agree to service the Transferred Loans pursuant to the master servicing agreement entered into between the Issuer, the Master Servicer and the Security Trustee (the "**Master Servicing Agreement**"). The Master Servicer will service, or procure the servicing of, the Transferred Loans on the same terms as its retained ICR Loans are serviced. This will include using the UK Tax System as the primary source for collection of regular repayments from the Borrowers who have United Kingdom source income.

The fee (the "**Servicing Fee**") payable to the Master Servicer for the provision of the services under the Master Servicing Agreement, shall be payable annually in arrear on each Distribution Date (or on any date where payments are made under the Priority of Payments). The amount of the Servicing Fee payable on a Distribution Date shall be included in the Servicing Report prepared for that Distribution Date. Investors should refer to the section of this Prospectus entitled "*Key Transaction Documents – Master Servicing Agreement*" for further details.

**Delegation:**

The Master Servicer may make arrangements for the provision of certain servicing and collection activities with other parties.

The Master Servicer will make arrangements with or be reliant upon UK Government Investments Limited ("**UKGI**"), Her Majesty's Revenue and Customs ("**HMRC**") and the Student Loans Company Limited ("**SLC**" being, together with UKGI and HMRC (the "**Delegates**")) for the provision of certain servicing and collection activities.

The Master Servicer will have in place certain internal governance arrangements with the Delegates in relation to the provision of servicing and collection activities relating to the Transferred Loans and the calculation, reporting and other obligations of the Master Servicer under the Master Servicing Agreement (as such activities may be amended, modified or supplemented from time to time). These governance arrangements include both a working group which brings

together the Master Servicer and the Delegates (the "**Master Servicer Working Group**") and a board (the "**Master Servicer Board**") which will be chaired by a senior civil servant of the Department for Education ("**DfE**").

It is planned that the Master Servicer Working Group will meet monthly and at such additional times as may be required and will: (a) be responsible for the day-to-day management of the services to be provided under the Master Servicing Agreement; (b) oversee the discharge of the Master Servicer's annual obligations under the Master Servicing Agreement; and (c) be the first point of discussion for managing any emerging risks or issues in relation to the performance of the services under the Master Servicing Agreement and escalating these to the Master Servicer Board as appropriate.

It is planned that the Master Servicer Board will meet quarterly and at such additional times as may be required (for example, following the occurrence of a Servicing Event or a Compensation Event) and will: (a) be accountable within Government for ensuring that the Master Servicer functions are discharged by the Master Servicer in accordance with the terms of the Master Servicing Agreement; and (b) act as a point of escalation for any material issues or decisions that arise in connection with the servicing and collection activities relating to the Transferred Loans that fall outside or above the remit of the Master Servicer Working Group.

The Delegates will not be party to the Master Servicing Agreement or any contractual arrangements with the Issuer and the Issuer will not have any recourse (direct or indirect) to the Delegates.

The Master Servicer may (a) at any time without notice to, or consent from, the Issuer, the Security Trustee or any other party (i) delegate some of or substantially all of its duties under the Master Servicing Agreement and (ii) change the existing delegates and/or the duties performed by them and (b) at any time perform any of its duties as the Master Servicer under the Master Servicing Agreement through sub-contractors; provided that (among other conditions) no such delegation or sub-contracting will relieve the Master Servicer of its responsibilities with respect to such duties and the Master Servicer will remain responsible with respect thereto and the Master Servicer will be solely responsible for the fees of any such delegates (including the Delegates) or sub-contractors. Any change to the delegates and/or duties performed by them shall be without prejudice to the repurchase obligations of the Seller pursuant to the Loan Sale Agreement as summarised in the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement – Repurchase; UK Tax System*".

Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Master Servicing Agreement*" for further details.

**EU Risk Retention:**

On and from the Note Issuance Date, the Seller, as originator, will undertake to the Issuer and the Security Trustee that it will

retain on an on-going basis a material net economic interest of at least 5% of the nominal value of the securitised exposures in accordance with Article 405 of the CRR, Article 51 of AIFMR and Article 254 of the Solvency II Regulation (which, in each case, does not take into account any implementing rules in a relevant jurisdiction). On the Note Issuance Date, such interest will, in accordance with Article 405 paragraph 1, subparagraph (c) of the CRR, Article 51 paragraph 1, subparagraph (c) of the AIFMR and Article 254, paragraph 2, subparagraph (c) of the Solvency II Regulation be comprised of an interest in randomly selected exposures (i.e. ICR Loans), selected from the Provisional Portfolio (following the removal of any ICR Loans which as at the Final Extraction Date are or have become Excluded Loans) equivalent to no less than 5% of the nominal amount of the securitised exposures (i.e. the aggregate principal balance of the Portfolio). The Seller will not change the manner or form in which it retains the material net economic interest, except as permitted under the CRR, the AIFMR and the Solvency II Regulation in which case it shall report such change through the Servicing Report.

A similar undertaking has been given by the Seller to the Arranger and the Joint Lead Managers under the Subscription Agreement.

The Seller's continued holding of the retained exposures and its compliance with Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation will be disclosed on an on-going basis in the Investor Reports to be provided in respect of the Portfolio and the Notes.

Investors should see the section of this Prospectus entitled "*Risk retention and disclosure*" for further details.

**U.S. Risk Retention:**

The offering of the Notes is made in reliance on an exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions that meet certain requirements. Investors should see the sections of this Prospectus entitled "*Subscription and Sale – U.S. Risk Retention – Investor Representation*", "*Risk retention and disclosure*" and "*Risk Factors – Legal, Regulatory and Tax Risk – Regulatory changes – U.S. Risk Retention*" below for further details.

### C. SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

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

#### FULL CAPITAL STRUCTURE OF THE NOTES

	Class A1 Notes	Class A2 Notes	Class B Notes	Class X Notes
Currency:	GBP	GBP	GBP	GBP
Initial Note Principal Amount:	£810,573,000	£697,057,000	£120,610,000	£1,919,125,000
Credit enhancement:	<p>In respect of interest and following the service of an Acceleration Notice, the subordination of the Class B Notes, and the Class X Notes.</p> <p>In respect of principal, prior to the service of an Acceleration Notice, the subordination of the Class B Notes and the Class X Notes. However, in the event of a Test A Breach which is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.</p>	<p>In respect of interest and following the service of an Acceleration Notice, the subordination of the Class B Notes, and the Class X Notes.</p> <p>In respect of Class A2 Note Amortisation Amounts, prior to the service of an Acceleration Notice, the subordination of the Class A1 Notes, the Class B Notes and the Class X Notes. However, in the event of a Test A Breach that is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.</p>	<p>In respect of interest, prior to the service of an Acceleration Notice, the subordination of principal payments on the Class A1 Notes (assuming there has been no Test A Breach which is then continuing), the Class B Notes and the Class X Notes and interest payments on the Class X Notes.</p> <p>In respect of principal, the subordination of the Class X Notes.</p> <p>Following the service of an Acceleration Notice, the subordination of the Class X Notes.</p>	None
Issue Price:	99.030%	93.123%	86.550%	8.500%
Interest Rate:	12 month LIBOR + 1.0% <i>per annum</i> , subject to a LIBOR floor of zero.	2.5% <i>per annum</i>	Index Rate + 1.45% <i>per annum</i> , subject to a floor and cap on the Index Rate	0.5% <i>per annum</i> plus profit participating interest representing remaining Available Receipts
Interest Accrual Method:	Actual/365	Actual/Actual	Actual/365	Actual/Actual
Business Days:	London	London	London	London
Business Day Convention:	Following	Following	Following	Following
Distribution Dates:	Annually in arrear on 24 July	Annually in arrear on 24 July	Annually in arrear on 24 July	Annually in arrear on 24 July

	<b>Class A1 Notes</b>	<b>Class A2 Notes</b>	<b>Class B Notes</b>	<b>Class X Notes</b>
First Distribution Date:	24 July 2018	24 July 2018	24 July 2018	24 July 2018
Maturity Date:	The Distribution Date falling in 2056	The Distribution Date falling in 2056	The Distribution Date falling in 2056	The Distribution Date falling in 2056
Application for listing on the Regulated Market:	London Stock Exchange	London Stock Exchange	London Stock Exchange	N/A
Form of the Notes:	Registered global form	Registered global form	Registered global form	Registered definitive form
Clearing/Settlement:	Euroclear and/or Clearstream, Luxembourg	Euroclear and/or Clearstream, Luxembourg	Euroclear and/or Clearstream, Luxembourg	N/A
ISIN:	XS1722900518	XS1722900864	XS1722900948	N/A
Common Code:	172290051	172290086	172290094	N/A
Expected Ratings (Fitch/S&P):	Asf/ A(sf)	Asf/A(sf)	BBBsf/ BBB(sf)	Unrated
Governing Law:	English law	English law	English law	English law
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

**Ranking and form of the Notes:**

The Issuer will issue the following Classes of the Notes on the Note Issuance Date under the Note Trust Deed:

- Class A1 Asset Backed Floating Rate Notes due 2056 (the "**Class A1 Notes**");
- Class A2 Asset Backed Fixed Rate Notes due 2056 (the "**Class A2 Notes**" and, together with the Class A1 Notes, the "**Class A Notes**");
- Class B Asset Backed Index Linked Notes due 2056 (the "**Class B Notes**"); and
- Class X Asset Backed Notes due 2056 (the "**Class X Notes**"),

and together, the Class A Notes, the Class B Notes and the Class X Notes are the "**Notes**" and the holders thereof, the "**Noteholders**".

The Notes will be issued in registered form.

Prior to the service by the Note Trustee of an Acceleration Notice, payments of the Class A2 Note Amortisation Amounts rank in priority to principal payments on the Class A1 Notes and interest and principal payments on the Class B Notes and the Class X Notes.

However, in the event of a Test A Breach that is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.

In respect of principal, prior to the service by the Note Trustee of an Acceleration Notice, the Class A1 Notes rank in priority to the Class B Notes and the Class X Notes but subordinate to payments of Class A2 Note Amortisation Amounts. However, in the event of a Test A Breach which is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.

In respect of principal, prior to the service by the Note Trustee of an Acceleration Notice, the Class B Notes rank in priority to the Class X Notes but subordinate to the Class A Notes.

In respect of interest the Class A1 Notes and the Class A2 Notes rank *pari passu* amongst themselves without priority or preference and the Class A Notes rank in priority to the Class B Notes and the Class X Notes.

The Class B Notes rank in priority to the Class X Notes but will be subordinated to the Class A Notes.

The Class X Notes will be subordinated to the Class A Notes and the Class B Notes.

Pursuant to the Deed of Charge, the Notes will all share the same Security. Certain other amounts, being the amounts owing to the Secured Creditors, will also be secured by the Security and, other than on the Maturity Date or, if earlier, repayment in full of the Notes, only payment of certain

expenses incurred by the Issuer will benefit from amounts held to the credit of the Expense Account. Amounts due in respect of the Class A Notes will rank in priority to amounts due in respect of the Class B Notes. Amounts due in respect of the Class B Notes will rank in priority to amounts due in respect of the Class X Notes. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to amounts due in respect of the Notes.

**Interest on the Notes:**

The interest rates applicable to the Offered Notes from time to time will be as set out in "*Summary of the Terms and Conditions of the Notes*" above and will be payable on the dates stated therein.

Interest payments on the Class B Notes will be subordinated to interest payments on the Class A Notes. Interest payments on the Class X Notes will be subordinated to interest payments on the Class B Notes. Investors should see the section of this Prospectus entitled "*Cash flows*".

The Class X Notes shall bear interest at a fixed rate of 0.5%, 0.25% (if the Test B First Threshold applies) or 0% (if the Test B Second Threshold applies) plus profit participating interest representing Available Receipts remaining available for application on each Distribution Date after all other amounts have been paid or provided for in accordance with the applicable Priority of Payments.

The Test B First Threshold or Test B Second Threshold will apply in respect of a Distribution Date if the Available Receipts (excluding item (c) of the definition of Available Receipts) are less than the relevant applicable threshold amounts for such Distribution Date.

**Capitalisation of interest on the Class B Notes:**

In certain circumstances, some or all of the amount of interest due from the Issuer to the Class B Noteholders on a Distribution Date may not be paid and, instead, be added to the Note Principal Amount of such Class B Notes then Outstanding and shall bear interest in subsequent Interest Periods at the Interest Rate then applicable to the Class B Notes, without such non-payment resulting in an Event of Default (subject to the below).

Interest may not be capitalised or otherwise deferred on the Class A Notes or on the Class B Notes once the Class A Notes have been redeemed in full and any such capitalisation or deferral will result in an Event of Default (subject to applicable cure periods).

Investors should see the section of this Prospectus entitled "*Terms and Conditions of the Notes – Condition 4.10 (Interest Shortfall)*" for a full statement of the terms upon which interest will be capitalised on the Class B Notes.

**Interest Shortfall on the Class X Notes:**

Interest payments on the Class X Notes will only be payable to the extent that funds are available for such purpose in accordance with the applicable Priority of Payments. If, on any Distribution Date, there are insufficient Available Receipts to pay any interest then due and payable in respect of the Class X

Notes, such amounts will not be deferred and shall cease to be due and payable without such non-payment resulting in an Event of Default.

**Security:**

Pursuant to the Deed of Charge to be entered into between, among others, the Issuer and the Security Trustee on the Note Issuance Date, the Notes will be secured by, *inter alia*, the following security (the "**Security**"):

- (a) an assignment by way of first fixed security over the Issuer's rights, title, interest and benefit, present and future, in, under and to the Transferred Loans and all its powers related thereto;
- (b) an assignment by way of first fixed security of (and, to the extent not assignable, a first fixed charge over) the Issuer's rights, title, interest and benefit, present and future, in, under and to the Transaction Documents (other than the Subscription Agreement, the Note Trust Deed, the Class X Subscription Agreement and the Class X Note Purchase Agreements), including all rights to receive payment of any amounts which may become payable to the Issuer thereunder, all payments received by the Issuer thereunder and other related rights (including rights to serve notices, make demands, take steps required to cause payments to become due and payable, rights of action in respect of a breach and rights to receive damages or obtain relief);
- (c) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and to each Issuer Bank Account and all sums of money which may now be or hereafter are from time to time standing to the credit of the Issuer Bank Accounts and each other account (if any) in which the Issuer may have or may acquire any rights, title, interest or benefit, together with all interest accruing from time to time thereon;
- (d) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and to any Permitted Investment made on behalf of the Issuer and all monies, income and proceeds payable thereunder or accrued thereon and other related rights;
- (e) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and to the proceeds of any of the interests referred to in paragraphs (a) to (d) (inclusive) above; and
- (f) without prejudice to any fixed security, a floating charge over all the Issuer's undertaking, property, assets and rights (present and future).

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



- Mandatory Redemption:** On the Maturity Date, each Class of Note shall, unless previously redeemed or purchased and cancelled, in each case in full, be redeemed in full at its Note Principal Amount, subject to the availability of funds pursuant to the Pre-Acceleration Priority of Payments.
- Investors should see the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.1 (Mandatory Redemption)*" for a full statement of the terms upon which the Notes will be redeemed in these circumstances.
- Scheduled amortisation:** On each Distribution Date prior to the service of an Acceleration Notice, each Class A2 Note shall, unless previously redeemed or purchased and cancelled, be redeemed in an amount equal to the Class A2 Note Amortisation Amounts, subject to the Pre-Acceleration Priority of Payments.
- Investors should see the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.2 (Scheduled Amortisation)*" for a full statement of the terms upon which the Notes will be redeemed in these circumstances.
- Pass-through amortisation:** On each Distribution Date prior to the service of an Acceleration Notice, each Class of Notes (other than the Class A2 Notes) shall, unless previously redeemed or purchased and cancelled in full, be redeemed in an amount equal to the Available Receipts available for such purpose on such Distribution Date pursuant to and in accordance with the Pre-Acceleration Priority of Payments.
- Investors should see the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.3 (Pass-through Amortisation)*" for a full statement of the terms upon which the Notes will be redeemed in these circumstances.
- Early redemption; UK Tax System or CCA Event:** If the Seller gives notice under the Loan Sale Agreement that it intends to repurchase the Portfolio as a result of repayments for all the Transferred Loans (excluding receipts in relation to Overseas Borrowers and those receipts which Borrowers have voluntarily moved to direct debit or another method of receipt) ceasing to be collected through the UK Tax System or as a result of the occurrence of a CCA Event, the Issuer shall apply the Repurchase Price received from the Seller in redemption of the Notes at the Redemption Amount (which will include a "make-whole" payment in respect of the Class A2 Notes as determined in accordance with the definition of Redemption Amount) together with any interest accrued but unpaid thereon up to but excluding the Early Redemption Date.
- Investors should see the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.4 (Early redemption; UK Tax System or CCA Event)*" for a full statement of the terms and conditions upon which the Notes will be redeemed in these

circumstances.

**Optional redemption for taxation reasons:**

The Issuer may at its option redeem all (but not some only) of the Notes at their Redemption Amount on any Distribution Date where it has or will become obliged to deduct or withhold any amount for, or on account of Tax in respect of payments to Noteholders of any amounts due under the Offered Notes as a result of any change in, or amendment to, any laws or regulations related to Tax which becomes effective on or after the Note Issuance Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Investors should see the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.5 (Optional Redemption for taxation reasons)*" for a full statement of the terms and conditions upon which the Notes will be redeemed in these circumstances.

**Early redemption for indexation reasons:**

Upon the occurrence of any Index Event, being (i) if the Index Rate fails, for two consecutive years, to be determined on the basis of an Index Rate previously set as provided in the Conditions; (ii) the Issuer and the Note Trustee have been notified by the Master Servicer that the publication of RPI has ceased or will cease with no substitution; or (iii) notice is published by Her Majesty's Treasury, or on its behalf, following change in relation to RPI, offering a right of redemption to the holders of Index Reference Gilt, and no amendment or substitution of RPI has been advised by the Master Servicer (in consultation with the Indexation Adviser) to the Issuer and such circumstances are continuing, as more fully described in Condition 5.6 (*Redemption for indexation reasons*), the Issuer may, and shall if directed by the Note Trustee acting on the instructions of the Senior Class then Outstanding (subject to the conditions set out in Condition 5.6), upon giving not less than 30 nor more than 60 days' notice to the Note Trustee and the holders of the Notes in accordance with Condition 16 (*Notices to Noteholders*), redeem all (but not some only) of the Notes on any Distribution Date at their Redemption Amount.

Investors should see the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.6 (Redemption for indexation reasons)*" for a full statement of the terms and conditions upon which the Notes will be redeemed in these circumstances.

**Optional redemption for Estimated Receipts:**

If the Master Servicer has been making payment of Estimated Receipts for three consecutive MS Payment Dates the Issuer shall notify the Note Trustee and Noteholders thereof in accordance with Condition 16 (*Notices to Noteholders*) and shall, if directed by the Note Trustee (acting on the instructions of each Class of Noteholder by way of Ordinary Resolution), by giving notice at least 90 days prior to the next following MS Payment Date, direct the Seller to repurchase all outstanding Transferred Loans held by the Issuer on such MS Payment Date in accordance with the Loan Sale Agreement. The Issuer shall apply the proceeds of such repurchase to redeem all (but not some only) of the Notes at their Redemption Amount on the

Distribution Date following the direction referred to above.

The Note Trustee (acting on the instructions of each Class of Noteholder by way of Ordinary Resolution) shall be entitled to direct the Issuer to direct the Seller to repurchase all outstanding Transferred Loans in accordance with the Loan Sale Agreement on any subsequent MS Payment Date provided that (i) the Issuer has given the Seller at least 90 days' prior written notice and (ii) the Master Servicer is continuing to make payment of Estimated Receipts.

Investors should see the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.7 (Optional Redemption for Estimated Receipts)*" for a full statement of the terms and conditions upon which the Notes will be redeemed in these circumstances.

**Fees Shortfall:**

On or before the Servicing Reporting Date the Master Servicer shall determine, on the basis of the Forecast Model, whether a Fees Shortfall is projected to occur on the next Distribution Date. The Master Servicer shall notify the Issuer, the Cash Manager and the Note Trustee in writing if it determines that a Fees Shortfall is projected to occur. A Fees Shortfall will occur if, in respect of a Servicing Reporting Date, the Available Receipts on the immediately following Distribution Date are insufficient to make payment of (a) the Issuer Expenses then due and payable in an amount up to the amount of the Senior Expenses Cap and/or (b) the Servicing Fee then due and payable, in each case on such Distribution Date. No Fees Shortfall shall be deemed to have occurred because of an anticipated delay or non-payment of Receipts by the Master Servicer to the Issuer.

Within three Business Days of the relevant Servicing Reporting Date, the Cash Manager will determine whether a Fees Shortfall will actually occur in relation to the following Distribution Date and give notice of the same to the Issuer, the Master Servicer, the Seller, the Principal Paying Agent, the Security Trustee and the Note Trustee. The Issuer shall promptly notify the Noteholders of such determination in accordance with Condition 16 (*Notices to Noteholders*).

If the Senior Class Funding Conditions are not satisfied by no later than six Business Days prior to the Distribution Date to which the Fees Shortfall relates, the Seller may repurchase the Portfolio for a price equal to £1. The Senior Class Funding Conditions will only be satisfied if both (1) the Noteholders of the Senior Class make or procure the making of an advance to the Issuer of cleared funds in an amount at least equal to the Fees Shortfall; and (2) the Noteholders of the Senior Class do not pass an Extraordinary Resolution vetoing the Issuer entering into the proposed advance.

If the Seller exercises the Fees Shortfall Repurchase Option in accordance with the Loan Sale Agreement, then if Available Receipts on the Distribution Date immediately following the repurchase date are insufficient to discharge in full all amounts then due and payable to Noteholders, the Issuer's obligation in

respect of such amounts shall be automatically extinguished and the Noteholders shall not receive any further payments of interest or principal with respect to the Notes and shall have no further claim against the Issuer in respect of such amounts.

Investors should see the sections of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.8 (Fees Shortfall)*" and "*Summary of the Key Transaction Documents – Loan Sale Agreement*" below.

**Events of Default:**

As fully set out in the definition of Event of Default, Events of Default include (where relevant, subject to the applicable grace period) the event where:

- (a) the Issuer becomes subject to Insolvency Proceedings;
- (b) the Issuer defaults in the payment of any interest then due and payable on the Senior Class unless such failure to pay is caused by an administrative or technical error and such payment is made within three Business Days of its due date, provided that such a failure to pay interest on the Class X Notes will not constitute an Event of Default (for the avoidance of doubt, a failure to pay interest on the Class B Notes will not constitute an Event of Default if the Class B Notes are not at such time the Senior Class then Outstanding);
- (c) the Issuer defaults on the payment of any principal then due in respect of any Class of Notes when the same becomes due and payable and such default continues for a period of five Business Days or more, provided that such a failure to pay principal on the Class X Notes or, prior to the Maturity Date, on the Class A1 Notes or the Class B Notes, will only constitute an Event of Default if the Available Receipts on the Distribution Date would have been sufficient to pay such amounts in full in accordance with the applicable Priority of Payments. For the avoidance of doubt, failure to pay any principal when due and payable on the Class A2 Notes will constitute an Event of Default even if there are insufficient Available Receipts available to make such payment;
- (d) breach of any other contractual obligations by the Issuer under the Transaction Documents which is, in the opinion of the Note Trustee, materially prejudicial to the interests of the holders of the Senior Class then Outstanding and continues for 30 calendar days;
- (e) it is or becomes unlawful for the Issuer to perform any of its obligations under the Transaction Documents; or
- (f) any Security created or expressed to be created or evidenced by the Transaction Documents ceases to be effective or any subordination created under the Transaction Documents is not or ceases to be lawful or any obligation or obligations of the Issuer under any Transaction Documents are not (subject to the Legal

Reservations) or cease to be legal, valid, binding or enforceable and such event, individually or when cumulated with other events falling under this paragraph is materially prejudicial to the interests of the Noteholders.

**Issuer's obligations:**

No recourse under any obligation, covenant, or agreement of any party contained in the Transaction Documents will be had against any shareholder, member, officer or director of the relevant party as such, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that any obligation contained in the Transaction Documents is a corporate or limited liability obligation of the relevant party and no personal liability will attach to or be incurred by the shareholders, members, officers, agents or directors of the relevant party as such, or any of them, under or by reason of any of the obligations, covenants or agreements of such party contained in the Transaction Documents, or implied therefrom, and that any and all personal liability for breaches by such party of any of such obligations, covenants or agreements, either at law or by statute or constitution, of every such shareholder, member, officer, agent or director is hereby expressly waived by the other party as a condition of and in consideration for the execution of the Transaction Documents.

**Limited Recourse:**

All obligations of the Issuer in respect of the Secured Obligations (including the payment obligations of the Issuer under the Notes) are limited in recourse, as described in more detail in the section of the Prospectus entitled "*Terms and Conditions of the Notes - Condition 2.5 (Limited Recourse and non petition)*".

No sum will be due and payable by the Issuer except in accordance with the Priorities of Payments and any payment obligations of the Issuer under the Transaction Documents may only be satisfied from, and shall only become due and payable to the extent of, the amounts received by it under or pursuant to the Transaction Documents.

In the event of non-payment of any sum due and payable to a Secured Creditor, that Secured Creditor's only remedy shall be enforcement by the Security Trustee of the Security in accordance with the provisions of the Deed of Charge and the other Transaction Documents and/or in the case of Noteholders, enforcement by the Note Trustee of the covenant to pay in the Note Trust Deed.

In the event that the net proceeds of enforcing and realising all the Security are (after application of the proceeds in accordance with the provisions of the Deed of Charge) insufficient to discharge in full all amounts then due and payable to any Secured Creditors, the Issuer's obligation in respect of the unpaid amount shall be automatically extinguished and such Secured Creditor shall have no further claim against the Issuer in respect of such unpaid amount.

**Non petition:**

The Security Trustee, the other Secured Creditors (or any other person acting on behalf of any of them) and each other party to

the Transaction Documents shall not be entitled to take any action or commence any proceedings (except for the Security Trustee or Note Trustee as permitted pursuant to the Transaction Documents) or petition a court for the liquidation of the Issuer, nor enter into any arrangement, reorganisation or Insolvency Proceedings in relation to the Issuer whether under the laws of England and Wales or other applicable bankruptcy laws until two years and one day after the payment or extinguishment of all Secured Obligations of the Issuer.

**Withholding tax:**

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding or deduction for or on account of any Taxes and none of the Issuer, any Agent or any other person will be obliged to pay additional amounts in respect of any such withholding or deduction.

Payments of interest on the Offered Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Offered Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange will be a recognised stock exchange for such purposes. Securities will be treated as listed on the London Stock Exchange if they are listed and admitted to trading by the Main Market of the London Stock Exchange. Provided, therefore, that the Offered Notes remain so listed (and there is no change in applicable tax law), interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Payments of interest on the Class X Notes will generally be subject to withholding on account of United Kingdom income tax at the basic rate (currently 20%) unless an exemption applies or an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld). The Issuer shall make payments of interest on the Class X Notes to a Class X Noteholder net of any Tax Deduction, unless the Class X Noteholder has provided the Issuer and the Principal Paying Agent with a Noteholder Tax Certificate (enclosing a copy of the Gross Payment Direction, where applicable) on or before the Tax Record Date and the Principal Paying Agent has confirmed (in accordance with Clause 6.4 (*Certification and Noteholder Tax Certificates*) of the Agency Agreement) that such Noteholder Tax Certificate has been accepted and that interest in respect of the relevant Class X Notes can be paid without a Tax Deduction on the relevant Distribution Date (provided that none of the other circumstances set out in Clause 5.2(c)(iv) (*Withholding tax*) of the relevant Class X Note Purchase Agreement (or the equivalent provisions of the relevant Class X Note Investor Representation Letter) apply). For the avoidance of doubt, a Noteholder Tax Certificate relates only to the Distribution Date specified therein and a new Noteholder Tax Certificate must be provided on or before each Tax Record Date in relation to the relevant Distribution Date.

**Clearing system:**

Each Class of Offered Notes will be cleared through Euroclear and/or Clearstream, Luxembourg. See "*Summary of terms and conditions of the Notes – Form of Notes*" above. The Class X

Notes will not be cleared through any clearing system.

**Selling restrictions:**

The Notes will be sold subject to standard selling restrictions for wholesale investors. The Notes will be offered under Regulation S. See "*Subscription and Sale – Selling Restrictions*".

The Class X Notes, which are not the subject of the offering made in accordance with this Prospectus, will be initially sold subject to the terms of the relevant Class X Note Purchase Agreement and Condition 1.6 (*Transfers of Class X Notes*). See the sections of this Prospectus "*Summary of the Key Transaction Documents – Each Class X Note Purchase Agreement*" and "*Terms and Conditions of the Notes – Condition 1.6 (Transfers of Class X Notes)*" for further information.

**D. OVERVIEW OF RIGHTS OF NOTEHOLDERS**

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

**At any time (irrespective of an Event of Default):**

Noteholders holding not less than 10% of the Note Principal Amount of a Class of Notes then Outstanding are entitled to request that the Issuer convene a Noteholders' meeting of that Class.

**Following an Event of Default:**

Upon the occurrence of an Event of Default which is continuing, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25% in aggregate of the Note Principal Amount of the Senior Class then Outstanding or if so directed by an Extraordinary Resolution of the Senior Class shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), deliver an Acceleration Notice to the Issuer (copied to the Noteholders, the Security Trustee, the Agents and the other Secured Creditors) declaring that all Classes of the Notes are immediately due and repayable at their respective Note Principal Amounts, together with accrued but unpaid interest as provided in the Note Trust Deed.

**Noteholders' Meeting Provisions:**

	<b>Initial Meeting</b>	<b>Adjourned Meeting</b>
<b>Notice period:</b>	At least 21 clear days for an initial meeting.	At least 10 clear days.
<b>Quorum:</b>	<p>The quorum for passing an Ordinary Resolution shall be one or more persons present and representing not less than 25% of the aggregate Note Principal Amount of the relevant Class(es) of Notes then Outstanding.</p> <p>The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and representing not less than 50% of the aggregate Note Principal Amount of the relevant Class(es) of Notes</p>	<p>The quorum shall be one or more persons present and representing any holding (other than in respect of a Basic Terms Modification, which requires not less than 25% of the aggregate Note Principal Amount of the relevant Class(es) of Notes then Outstanding).</p>



then Outstanding.

The quorum for an Extraordinary Resolution considering a Basic Terms Modification shall be one or more persons present and representing not less than 75% of the aggregate Note Principal Amount of the relevant Class(es) of Notes then Outstanding.

**Required Majority:**

For initial meetings, a clear majority of votes cast for matters requiring Ordinary Resolution and not less than 75% of votes cast for matters requiring Extraordinary Resolution.

For adjourned meetings, a clear majority of votes cast for matters requiring Ordinary Resolution and not less than 75% of votes cast for matters requiring Extraordinary Resolution.

**Written Resolution:**

**"Written Resolution"** means a resolution, in writing, signed by or on behalf of Noteholders holding, in aggregate, at least 75% of the Note Principal Amount of the relevant Class of Notes then Outstanding, whether contained in one document or several documents.

**Extraordinary Resolution:**

**"Extraordinary Resolution"** means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Note Trust Deed and the Conditions by a majority consisting of not less than 75% of the votes cast; or
- (b) a Written Resolution.

**Ordinary Resolution:**

**"Ordinary Resolution"** means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Note Trust Deed and the Conditions by a majority consisting of not less than 50% of the votes cast; or
- (b) a resolution in writing signed by or on behalf of Noteholders holding, in aggregate, not less than 50% of the Note Principal Amount of a Class of Notes then Outstanding, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class.

**Matters requiring Extraordinary Resolution:**

The following matters require an Extraordinary Resolution:

- (a) To waive a breach or authorise any proposed breach by the Issuer or (if relevant) any other party to any Transaction Document of its obligations under or in respect of the Note Trust Deed, the Notes or any other Transaction Document or any act or omission which might otherwise constitute an Event of Default.
- (b) Sanctioning any compromise or arrangement proposed to be made between the Issuer, the Security Trustee, the Note Trustee, any other party to any Transaction Document, any Appointee and the Noteholders or any of them.
- (c) Sanctioning any abrogation, modification, compromise or arrangement in respect of the rights of the Note Trustee, the Security Trustee, any Appointee, the Noteholders, the Issuer or any other party to any Transaction Document against any other or others of them or against any of their property whether such rights arise under the Note Trust Deed, any other Transaction Document or otherwise.
- (d) Assenting to any modification of the provisions of the Note Trust Deed or any other Transaction Document which is proposed by the Issuer, the Note Trustee, the Security Trustee, or any other party to any Transaction Document or any Noteholder.
- (e) Giving any authority or sanction which under the provisions of the Note Trust Deed or any other Transaction Document is required to be given by Extraordinary Resolution.
- (f) Appointing any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.
- (g) Discharging or exonerating the Note Trustee and/or the Security Trustee and/or any Appointee from all liability in respect of any act or omission for which the Note Trustee and/or the Security Trustee and/or such Appointee may have become responsible under the Transaction Documents.
- (h) Authorising the Note Trustee, the Security Trustee and/or any Appointee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution.
- (i) Sanctioning any scheme or proposal for the exchange or sale of the Notes for or the conversion of the Notes into or the cancellation of the Notes in consideration of shares, stock, notes, Notes, debentures, debenture

stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, Notes, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash.

- (j) Approving the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Notes.
- (k) Sanctioning or approving a Basic Terms Modification.
- (l) Vetoing the Issuer entering into a Fees Shortfall Loan Agreement.

**Relationship between Classes of Noteholders:**

An Extraordinary Resolution in relation to a Basic Terms Modification passed at any meeting of any Class of Noteholders shall be binding on all other Classes of Noteholders provided that (i) such Basic Terms Modification is sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes then Outstanding; or (ii) such Basic Terms Modification relates to a particular Class of Notes and the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of any other Class of Noteholders.

No Extraordinary Resolution to approve any matter other than a Basic Terms Modification of any Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of all Classes or Class of Notes then Outstanding and ranking senior to such Class (to the extent that there are Notes Outstanding ranking senior to such Class) unless the Note Trustee considers that none of the holders of such senior ranking Class or Classes would be materially prejudiced by the absence of such sanction.

Subject to the above, (a) any resolution passed at a Meeting of Noteholders duly convened and held in accordance with the Note Trust Deed shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not voting of such Class or Classes; (b) any resolution passed at a Meeting of the Noteholders of the Senior Class then Outstanding duly convened and held as aforesaid shall also be binding upon all Noteholders of all the other Classes of Notes; and (c) any resolution passed at a Meeting of all Classes of Noteholders shall be bound to give effect to any such resolution accordingly and the passing of such resolution shall be conclusive evidence that the circumstances justify the passing thereof.

See "*Terms and Conditions of the Notes — Condition 14.1 (Noteholder meetings)*" for further information.

**Relationship between Noteholders and other Secured Creditors:**

The Security Trustee is required to have regard to the interests of the other Secured Creditors (provided that in the event of any conflict between the interests of Noteholders and the other Secured Creditors, the interests of the Noteholders

will prevail).

**Basic Terms Modification:**

A "**Basic Terms Modification**" means any proposal to:

- (a) (except in respect of a Base Rate Modification in accordance with Condition 14.3(g)):
  - (i) sanction a modification of the date of maturity of the Notes of any Class;
  - (ii) reduce the amount of principal or interest due on any date in respect of the Notes of any Class; or
  - (iii) alter the method of calculating the amount of any payment (including the Interest Rate) in respect of the Notes of any Class; or
- (b) (except in accordance with Condition 5.5 (*Optional redemption for taxation reasons*), Condition 11 (*Substitution of the Issuer*) and Clause 10 (*Substitution*) of the Note Trust Deed) effect the exchange, conversion or substitution of the Notes of any Class for, or the conversion of such Notes into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed and/or for cash; or
- (c) change the currency of payment of the Notes of any Class; or
- (d) change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (e) sanction a modification which would result in any material change to the constitution of the Charged Property except as permitted by the Transaction Documents; or
- (f) amend the order of the Priorities of Payments as set out in the Deed of Charge and Cash Management Agreement; or
- (g) alter any of the provisions contained in this definition.

**Provision of Information to Noteholders:**

The Master Servicer will prepare an annual servicing report in relation to the Portfolio and the Notes (each, a "**Servicing Report**"). Each annual Servicing Report will be made available to the Cash Manager.

Additionally, the Master Servicer will prepare an annual interim collections report in relation to the Portfolio, substantially in the form set out in Annex 2 (*Form of Interim Collections Report*) of this Prospectus (each, an "**Interim Collections Report**"). Each Interim Collections Report will be made available to the Cash Manager on the Interim Collections Reporting Date and, upon receipt, the Cash Manager will make each Interim Collections Report available to the Noteholders and the Rating Agencies via the Cash Manager's internet website currently located at <https://sf.citidirect.com>. The website and its contents do not

form part of this Prospectus.

Each Interim Collections Report will contain provisional data that has not been verified in any way and will therefore be made available for information purposes only and without any liability for any direct, indirect or consequential losses (in contract, tort or otherwise) on the part of the Master Servicer or the Cash Manager. Any failure by the Master Servicer to make available any Interim Collections Report shall not constitute a Servicing Event or breach of the Master Servicer's obligations under the Master Servicing Agreement.

The Cash Manager will prepare and publish an annual investor report in relation to the Portfolio, the Notes, compensation cash flows and (if applicable) Estimated Receipts which would include information from the Servicing Report (each, an "**Investor Report**") substantially in the form set out in Annex 1 (*Form of Investor Report*) of this Prospectus. Each annual Investor Report will be made available to the Issuer, the Security Trustee, the Note Trustee, the Noteholders, the Seller and the Rating Agencies via the Cash Manager's internet website currently located at <https://sf.citidirect.com> and via Bloomberg. The website and its contents do not form part of this Prospectus.

Borrower-level Data in relation to the Transferred Loans on an anonymised basis may be obtained on the following website as at and following the date of this Prospectus: <https://sf.citidirect.com>. These websites and their contents do not form part of this Prospectus.

Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Cash Management Agreement – Cash Management Services to be provided to the Issuer*" in respect of other information that will be made available via the Cash Manager's internet website currently located at <https://sf.citidirect.com>.

**Communication with the Noteholders:**

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

- so long as the Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders; and
- so long as the Notes are listed on a recognised stock exchange, also by delivery in accordance with the notice requirements of that exchange.

## E. CREDIT STRUCTURE AND CASH FLOW

### Available Receipts:

The Issuer will have Available Receipts for the purposes of making interest and principal payments under the Notes and payments under the other Transaction Documents. As used in this Prospectus, "Available Receipts" means for each Distribution Date an amount equal to the aggregate of (without double-counting):

- (a) all Receipts received by the Issuer on the immediately preceding MS Payment Date, including any Underpayment Amounts received from the Seller (together with interest thereon calculated at a rate equal to the lower of the Index Rate and the Interest Rate Cap) including:
  - (i) PAYE Receipts, being receipts received through the pay as you earn tax receipt system operated by HMRC through which employers make tax and National Insurance deductions from employees' salaries for remittance to HMRC;
  - (ii) Direct Receipts, being receipts received in the form of cheques, wire transfers, standing orders, wire transfers, direct debits, or debit or credit card payments other than through the UK Tax System; and
  - (iii) Self-Assessment Receipts, being receipts received in respect of a Borrower's assessment to UK income tax (other than collected through PAYE),but excluding any Excess Customer Book Repayments;
- (b) any interest received by the Issuer on the Issuer Bank Accounts since the Determination Date immediately preceding the last Distribution Date;
- (c) the amounts available in the Note A2 Cash Account on the Determination Date immediately preceding the relevant Distribution Date, provided that, if the Class A2 Notes are Outstanding, such amounts may only be used to cover item (h) of the Pre-Acceleration Priority of Payments on such Distribution Date;
- (d) the amounts available in the Expense Account on the Determination Date immediately preceding the relevant Distribution Date, provided that such amounts may only be used to cover items (b) and (c) of the Pre-Acceleration Priority of Payments to the extent funds available under the Issuer Transaction Account on the relevant Distribution Date are insufficient to cover the payments of such amounts;
- (e) payments received from the Seller in respect of any breach of Loan Warranty since the Determination Date immediately preceding the last Distribution Date and in respect of the Repurchase Price paid for any repurchase of Teacher Forgiveness Loans since the Determination

Date immediately preceding the last Distribution Date;

- (f) all Compensation Payments received by the Issuer under the Loan Sale Agreement on the immediately preceding MS Payment Date;
- (g) all amounts advanced to the Issuer under the Fees Shortfall Loan;
- (h) on the Maturity Date, or, if earlier, the date of repayment in full of the Notes, amounts standing to the credit of the Expense Account; and
- (i) other net income of the Issuer received since the Determination Date immediately preceding the last Distribution Date or, in relation to the first Distribution Date since (but excluding) the Note Issuance Date without double-counting.

**Credit Enhancement:**

The general credit structure of the transaction includes subordination of the junior ranking Classes of Notes, subject to certain exceptions (except in the case of the Class X Notes).

For further information, please see the section entitled "*Credit Structure*" below.

**Cash Management and Issuer Bank Accounts:**

The Master Servicer will pay Recorded Receipts to the Issuer Transaction Account on an annual basis prior to each Distribution Date in respect of the prior applicable Accounts Period.

If the Master Servicer is unable to determine the Recorded Receipts for any applicable Accounts Period (or part thereof) it shall nonetheless transfer to the Issuer the amount which it estimates it has received from the Borrowers under the Transferred Loans for such Accounts Period (or part thereof), based on the Forecast Model maintained by the Master Servicer (the "**Estimated Receipts**") (subject to the Seller's right or obligation to repurchase the Transferred Loans in accordance with the Loan Sale Agreement if Estimated Receipts have been paid for three consecutive MS Payment Dates). See "*Summary of the Key Transaction Documents – Loan Sale Agreement*" for further details.

To the extent that the Master Servicer is unable to determine the Recorded Receipts for any applicable Accounts Period (or part thereof) in respect of only a portion of the Transferred Loans in the Portfolio (such portion being the "**Affected Transferred Loans**") it shall nonetheless transfer to the Issuer (i) the Estimated Receipts under the Affected Transferred Loans and (ii) the Recorded Receipts in respect of the Transferred Loans (other than the Affected Transferred Loans), in each case for such Accounts Period.

As soon as practicable after the Master Servicer is able to determine the Recorded Receipts it shall calculate the difference (positive or negative) between the amount paid as Estimated Receipts for any prior applicable Accounts Periods

(or parts thereof) and the amount of Recorded Receipts actually recorded (a "True-Up") and shall notify the Cash Manager thereof.

If either (i) as a result of an error in determining Recorded Receipts, or (ii) as a result of a True-Up following payment of Estimated Receipts, or (iii) as a result of an over-repayment by a Borrower or an underpayment (whether as the result of the exercise of any set-off rights or otherwise) by a Borrower or (iv) as a result of an error in determining a Compensation Payment, the Master Servicer (or SLC as Delegate) becomes aware that an overpayment of Receipts or underpayment of Receipts or, in the case of (iv) an overpayment or underpayment of a Compensation Payment, has been made to the Issuer, it will record any such overpayments or underpayments in the Servicing Report. The Servicing Report shall also set out the Overpayment Amounts and Underpayment Amounts in respect of the relevant applicable Accounts Periods, or as the case may be, the relevant Compensation Payment to which the Servicing Report relates and the Master Servicer will separately notify the Cash Manager of such Overpayment Amounts and Underpayment Amounts (as the case may be) on the Servicing Reporting Date.

On each Distribution Date, the Issuer will transfer an amount equal to any Overpayment Amounts to the Master Servicer in accordance with the applicable Priority of Payments (together with interest thereon calculated at a rate equal to the lower of the annual percentage increase in RPI and the Interest Rate Cap then applicable to the ICR Loans). The Issuer's obligation to pay any Overpayment Amounts (subject to the applicable Priority of Payments) to the Master Servicer shall be set-off against the Master Servicer's obligation to transfer Receipts to the Issuer such that on each MS Payment Date and subject to the applicable Priority of Payments, the Master Servicer will transfer Receipts net of any Overpayment Amounts.

In respect of any Underpayment Amounts, the Master Servicer will transfer to the Issuer the amount of any Underpayment Amounts on each MS Payment Date together with the applicable rate of interest calculated at a rate equal to the lower of the annual percentage increase in RPI and the Interest Rate Cap then applicable to the ICR Loans.

See "*Summary of the Key Transaction Documents – Master Servicing Agreement – Estimated Receipts / overpayments / underpayments*" for further detail.

**Expense Account:**

The Issuer will establish the Expense Account on or before the Note Issuance Date. On the Note Issuance Date the Expense Account will be credited with an amount equal to the Expense Account Required Amount from the proceeds of the issue of the Notes. On each Distribution Date, the Expense Account will be credited with an amount applied under item (d) of the Pre-Acceleration Priority of Payments until the balance standing to the credit of the Expense Account is equal to the Expense Account Required Amount.



The Issuer will use amounts standing to the credit of the Expense Account to fund certain expenses incurred by the Issuer. Between Distribution Dates, the Issuer (or Cash Manager on its behalf on written instruction from the Issuer) will be permitted to make withdrawals from the Expense Account on any date on which any Issuer Expenses are due and payable to discharge the Issuer Expenses then due and payable up to the balance on the Expense Account. On any Distribution Date, the Cash Manager will be permitted to make withdrawals from the Expense Account to the extent that funds available on such Distribution Date are otherwise insufficient to cover payment of the amounts referred to in items (b) and (c) of the Pre-Acceleration Priority of Payments and use the amounts so withdrawn from the Expense Account as Available Receipts for payment of items (b) and (c) of the Pre-Acceleration Priority of Payments.

On the Maturity Date, or, if earlier, the date of repayment in full of the Notes, the balance standing to the credit of the Expense Account shall form part of the Available Receipts for application in accordance with the Pre-Acceleration Priority of Payments.

Following the service by the Note Trustee of an Acceleration Notice, amounts standing to the credit of the Expense Account shall be applied in accordance with the Post-Acceleration Priority of Payments.

**Note A2 Cash Account:**

The Issuer will establish the Note A2 Cash Account on or before the Note Issuance Date. On each Distribution Date the Note A2 Cash Account will be credited with an amount applied under item (n) and, following the occurrence of a Test A Breach that is continuing, item (j)(ii) of the Pre-Acceleration Priority of Payments until the balance standing to the credit of the Note A2 Cash Account is equal to the Class A2 Principal Amount.

If, on any Distribution Date, there are Class A2 Notes Outstanding, amounts standing to the credit of the Note A2 Cash Account shall form part of the Available Receipts but may, to the extent Available Receipts (excluding the amounts listed in item (c) of the definition of Available Receipts) are otherwise insufficient for this purpose, only be applied in payment of any Class A2 Note Amortisation Amounts and upon early redemption of the Class A2 Notes in accordance with Condition 5.4 (*Early redemption; UK Tax System or CCA Event*), 5.5 (*Optional redemption for taxation reasons*), 5.6 (*Redemption for indexation reasons*) or 5.7 (*Optional redemption for Estimated Receipts*).

If, on any Distribution Date, the balance standing to the credit of the Note A2 Cash Account exceeds the Class A2 Principal Amount, such excess shall form part of the Available Receipts for application in accordance with the Pre-Acceleration Priority of Payments.

**Issuer Custody Account:**

The Issuer will establish the Issuer Custody Account on or before the Note Issuance Date. The Issuer Account Bank shall hold the Permitted Investments (other than Permitted

Investments which are held in term deposits or in certificated form) for the benefit of the Issuer in the Issuer Custody Account in accordance with the rules established by the FCA from time to time in relation to custody assets and the Issuer Bank Account Agreement.

Proceeds of the liquidation of the Permitted Investments will be credited to the Note A2 Cash Account.

**Pre-Acceleration Priority of Payments:**

On each Distribution Date prior to the service of an Acceleration Notice on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply, or provide for the application of, the Available Receipts in the following order of priority:

- (a) amounts payable in respect of taxes by the Issuer and Issuer Retained Amount;
- (b) *pari passu* with each other on a *pro rata* basis any fees, costs, amounts in respect of taxes (including VAT), expenses, indemnity payments and other amounts due and payable to the Note Trustee and the Security Trustee under the Transaction Documents in an amount up to the Senior Expenses Cap;
- (c) to pay *pari passu* with each other on a *pro rata* basis (according to the respective amounts due and payable), the Issuer Expenses in an amount up to, taking into account payment of any amounts in (b) above, the Senior Expenses Cap;
- (d) to credit the Expense Account so that the balance standing to the credit of the Expense Account is equal to the Expense Account Required Amount, but only to the extent that all payments made in relation to (b), (c) and (d) shall not exceed the Senior Expenses Cap;
- (e) to the Master Servicer in payment of the Servicing Fee;
- (f) *pro rata* and *pari passu*, to the Fees Shortfall Lenders, amounts of interest and principal payable under the Fees Shortfall Loan (if any);
- (g) *pro rata* and *pari passu* amounts of interest payable in respect of the Class A1 Notes and the Class A2 Notes;
- (h) *pro rata* and *pari passu* the aggregate Class A2 Note Amortisation Amounts in respect of such Distribution Date;
- (i) to the Master Servicer in payment of any Overpayment Amounts;
- (j) on and following the occurrence of a Test A Breach that is continuing, in the following order of priority:
  - (i) *pro rata* and *pari passu* amounts of principal payable in respect of the Class A1 Notes; and
  - (ii) if the Class A2 Notes have not been repaid in full, in an amount equal to the Note A2 Cash Account

Target into the Note A2 Cash Account;

- (k) *pro rata* and *pari passu* amounts of interest payable in respect of the Class B Notes;
- (l) *pro rata* and *pari passu* amounts of fixed interest payable in respect of the Class X Notes;
- (m) *pro rata* and *pari passu* amounts of principal payable in respect of the Class A1 Notes until repaid in full;
- (n) if the Class A2 Notes have not been repaid in full, in an amount equal to the Note A2 Cash Account Target into the Note A2 Cash Account (to the extent that such amounts have not been discharged by prior items in this Pre-Acceleration Priority of Payments);
- (o) *pro rata* and *pari passu* amounts of principal payable in respect of the Class B Notes until repaid in full;
- (p) to pay *pari passu* with each other on a *pro rata* basis (according to the respective amounts due and payable), any Issuer Expenses to the extent such amounts have not been discharged by prior items in this Pre-Acceleration Priority of Payments;
- (q) *pro rata* and *pari passu* amounts of principal payable to the Class X Noteholder until the Class X Principal Amount is equal to the Class X Final Redemption Amount; and
- (r) to pay:
  - (i) first, on the final Distribution Date, *pro rata* and *pari passu*, the Class X Final Redemption Amount; and
  - (ii) second, *pro rata* and *pari passu*, all remaining excess to the Class X Noteholders as the Class X Note Profit Participating Interest Amount.

**Test breaches:**

A "Test A Breach" occurs in respect of a Distribution Date if the sum of:

(a) Available Receipts (excluding item (c) of the definition of Available Receipts) less amounts due pursuant to items (a) to (e) of the Pre-Acceleration Priority of Payments; and

(b) the lower of (x) the Class A2 Note Amortisation Amounts and (y) the balance of the Note A2 Cash Account before any credit is to be made pursuant to item (n) of the Pre-Acceleration Priority of Payments,

in each case on such Distribution Date, divided by the sum of (A) the Class A Notes Interest and (B) the Class A2 Note Amortisation Amounts, expressed as a percentage, is less than 200% as at the applicable Determination Date.

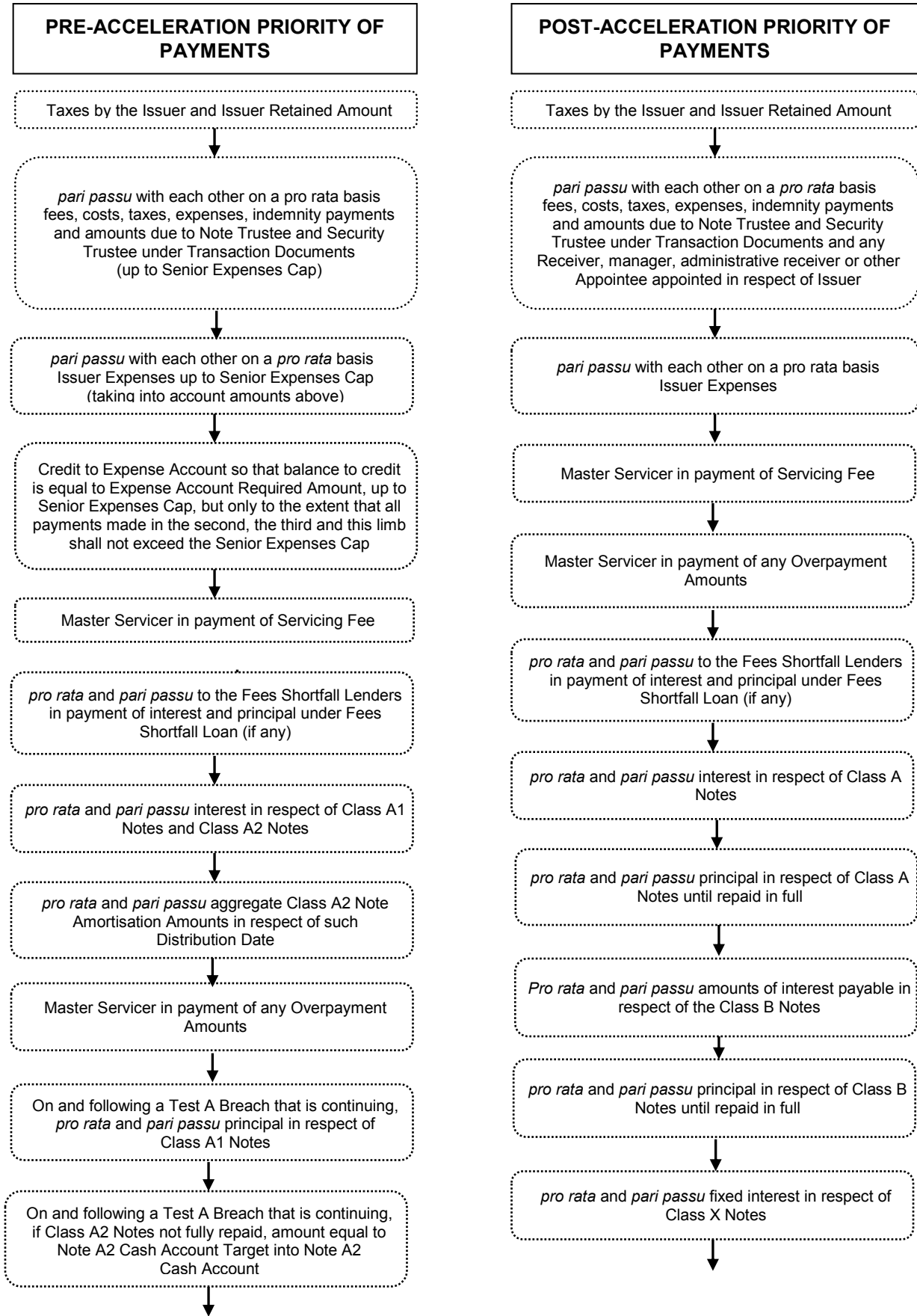
**Post-Acceleration Priority of Payments:**

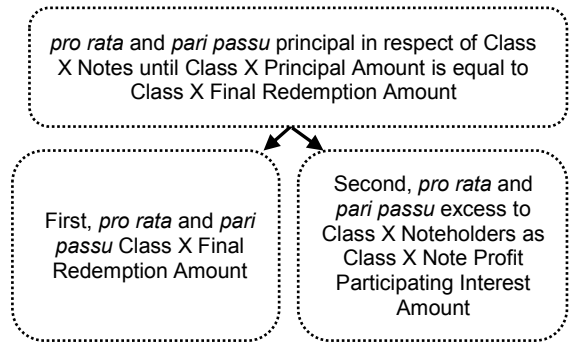
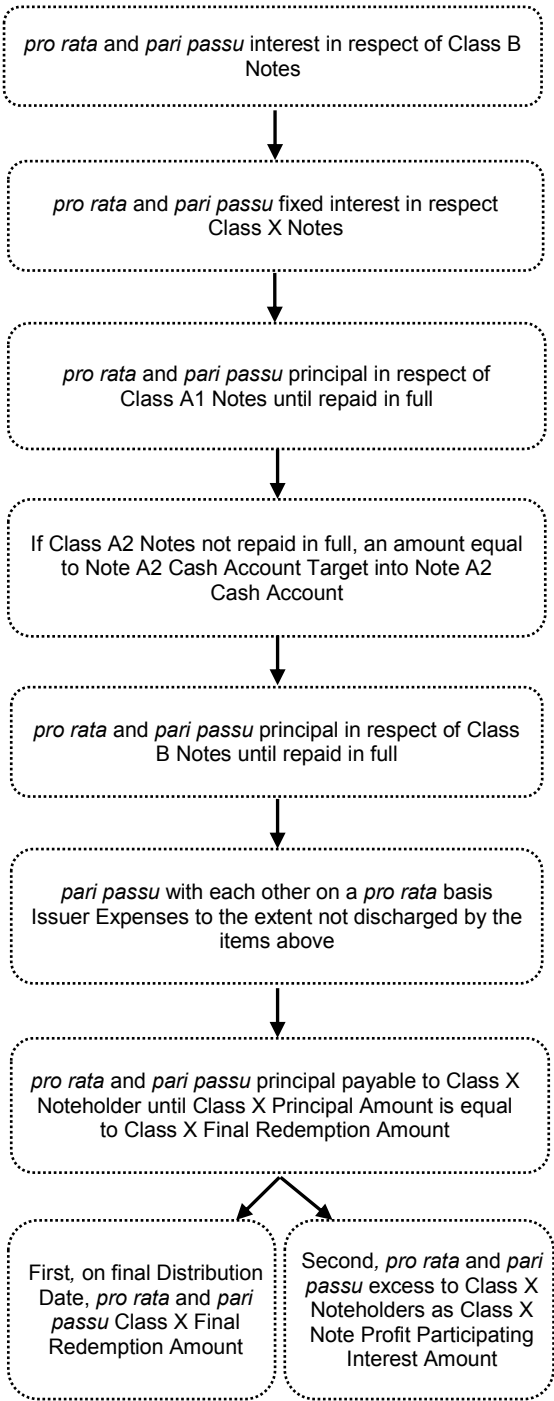
Following the service of an Acceleration Notice on the Issuer, the Security Trustee will apply, or provide for the application of, all amounts received or recovered (including, for the

avoidance of doubt, on enforcement of the Security) in the following order of priority, and in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full:

- (a) amounts payable in respect of taxes by the Issuer and the Issuer Retained Amount;
- (b) *pari passu* with each other on a *pro rata* basis any fees, costs, amounts in respect of taxes (including VAT), expenses, indemnity payments and other amounts due and payable to the Note Trustee and the Security Trustee under the Transaction Documents and any Receiver, manager, administrative receiver or other Appointee under the Transaction Documents appointed in respect of the Issuer;
- (c) *pari passu* with each other on a *pro rata* basis, the Issuer Expenses;
- (d) to the Master Servicer the Servicing Fee;
- (e) to the Master Servicer in payment of any Overpayment Amounts;
- (f) *pro rata* and *pari passu*, to the Fees Shortfall Lenders, amounts of interest and principal payable under the Fees Shortfall Loan (if any);
- (g) *pro rata* and *pari passu* amounts of interest payable in respect of the Class A Notes;
- (h) *pro rata* and *pari passu* amounts of principal payable in respect of the Class A Notes until repaid in full;
- (i) *pro rata* and *pari passu* amounts of interest payable in respect of the Class B Notes;
- (j) *pro rata* and *pari passu* amounts of principal payable in respect of the Class B Notes until repaid in full;
- (k) *pro rata* and *pari passu* amounts of fixed interest payable in respect of the Class X Notes;
- (l) *pro rata* and *pari passu* amounts of principal payable in respect of the Class X Notes until the Class X Principal Amount is equal to the Class X Final Redemption Amount; and
- (m) to pay:
  - (i) *first*, on the final Distribution Date, *pro rata* and *pari passu*, the Class X Final Redemption Amount; and
  - (ii) *second*, *pro rata* and *pari passu*, all remaining excess to the Class X Noteholders as the Class X Note Profit Participating Interest Amount.

**F. DIAGRAMMATIC OVERVIEW OF PRIORITIES OF PAYMENTS**





G. TRIGGER TABLES

Rating Triggers Table

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
<b>Issuer Account Bank</b>	<p>(i) Short-term issuer default rating must be at least F1 by Fitch or the long-term issuer default rating must be at least A- by Fitch; and</p> <p>(ii) Short-term unsubordinated, unguaranteed and unsecured debt obligation must be rated at least A-2 by S&amp;P and long-term unsubordinated, unguaranteed and unsecured debt obligation must be rated at least BBB long-term by S&amp;P,</p> <p>or such other short-term or long-term rating which is otherwise consistent with the published criteria of the relevant Rating Agency and which the relevant Rating Agency (at its discretion) confirms as being the minimum ratings that are required to support the then rating of the Senior Class of Offered Notes then outstanding.</p>	<p>The Issuer will be required (within 30 calendar days provided that no guarantee from an appropriately rated bank or financial institution has been provided in relation to the obligations of the Issuer Account Bank within such period) to arrange for the transfer (at the Issuer Account Bank's cost) of the Issuer Bank Accounts and the funds standing to the credit thereof to a reputable and experienced financial institution which (i) has at least the Required Ratings and (ii) has authorisation to carry on banking business (including accepting deposits) under the FSMA (a "<b>Qualifying Bank</b>") pursuant to and in accordance with the provisions of the Issuer Bank Account Agreement.</p>

**Non Rating Triggers Table**

<b>Party / nature of Trigger</b>	<b>Description of Trigger</b>	<b>Contractual requirements on occurrence of breach of non ratings trigger including the following:</b>
<b>Servicing Events:</b>	<p>The occurrence of any of the following:</p> <p>(a) a default by the Master Servicer in the payment on the due date of any payment to be made by it under the Master Servicing Agreement which has a Material Adverse Effect (provided that it will not be a payment default if (i) such default continues for a period of no greater than 30 calendar days from the due date and the Master Servicer is using commercially reasonable efforts to perform its obligations under the Master Servicing Agreement or (ii) the Master Servicer is making payments of Estimated Receipts and has notified the Issuer that it will be making payments of Estimated Receipts);</p> <p>(b) any of the representations or warranties given by the Master Servicer under the Master Servicing Agreement proves to have been false or misleading in any material respect as of the time made or deemed made (including by omission of material information necessary to make such representation and warranty not misleading) and such misrepresentation has a Material Adverse Effect and, if capable of remedy, is not remedied within 60 calendar days either after receipt by the Master Servicer of written notice from the Issuer or, following the service of an Acceleration Notice, the Security Trustee requiring the same to be remedied, or, if earlier, after a Responsible Person of the</p>	<p>The Issuer's only rights against the Master Servicer will be to agree and implement a Remedial Plan with the Master Servicer and, subject to the terms of the Master Servicing Agreement, receive payment of an indemnity. The Issuer will have no right to terminate the appointment of the Master Servicer or procure a replacement servicer for all or any part of the Services under the Master Servicing Agreement.</p>



Party / nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of non ratings trigger including the following:
	<p>Master Servicer has actual knowledge of such circumstances and if it is not capable of remedy, either immediately upon written notice thereof to the Master Servicer from the Issuer or, following the service of an Acceleration Notice, the Security Trustee or, if earlier, after a Responsible Person of the Master Servicer has actual knowledge of such circumstances;</p> <p>(c) a material breach by the Master Servicer of the Master Servicing Agreement or failure to perform any of its obligations or observe any other material term, obligation, covenant or undertaking applicable to the Master Servicer under the Master Servicing Agreement and such failure has a Material Adverse Effect and continues for 60 calendar days either after notice thereof is delivered to the Master Servicer by the Issuer or, following the service of an Acceleration Notice, the Security Trustee, or, if earlier, after a Responsible Person of the Master Servicer has actual knowledge of such circumstances; or</p> <p>(d) Insolvency Proceedings are initiated against SLC (for so long as SLC is a Delegate).</p>	
<p><b>Cash Manager Termination Events:</b></p>	<p>The occurrence of any of the following:</p> <p>(a) provided the Cash Manager has been put in funds, the Cash Manager defaults in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and</p>	<p>The Issuer, or following the service of an Acceleration Notice, the Security Trustee may terminate the appointment of the Cash Manager provided that no such termination will become effective until a replacement has been appointed.</p>

Party / nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of non ratings trigger including the following:
	<p>such default continues unremedied for a period of five Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, following the service of an Acceleration Notice, the Security Trustee requiring the same to be remedied; or</p> <p>(b) the Cash Manager defaults in the performance or observance of any of its other covenants or obligations under the Cash Management Agreement (other than as described in paragraph (a) above) which is materially prejudicial to the interests of the Noteholders and such default continues unremedied for a period of 20 Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, following the service of an Acceleration Notice, the Security Trustee requiring the same to be remedied; or</p> <p>(c) Insolvency Proceedings are initiated against the Cash Manager; or</p> <p>(d) it is or becomes unlawful for the Cash Manager to continue its business or discharge its obligations as contemplated by the Cash Management Agreement or the other Transaction Documents to which it is a party; or</p> <p>(e) the Cash Manager fails to comply with any duty or obligation under or pursuant</p>	

<b>Party / nature of Trigger</b>	<b>Description of Trigger</b>	<b>Contractual requirements on occurrence of breach of non ratings trigger including the following:</b>
	<p>to the Cash Management Agreement arising as a direct or indirect result of any Force Majeure Event and such failure continues for a period of 5 Business Days after the earlier of the Cash Manager becoming aware of such failure and receipt by the Cash Manager of written notice from the Issuer or, following the service of an Acceleration Notice, the Security Trustee, requiring the same to be remedied.</p>	
<b>Issuer Account Bank</b>	<p>The Issuer Account Bank ceases to be an institution authorised to carry on banking business (including accepting deposits) under the FSMA.</p>	<p>The Issuer will be required (within 30 calendar days) to arrange for the transfer (at the Issuer Account Bank's cost) of the Issuer Bank Accounts and the funds standing to the credit thereof to a Qualifying Bank pursuant to and in accordance with the provisions of the Issuer Bank Account Agreement.</p>

## RISK FACTORS

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

### 1. TRANSACTION STRUCTURE

#### ***Liabilities under the Notes***

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Government, the Seller, UKGI, HMRC, SLC, the Arranger, the Agents, the Joint Lead Managers, the Note Trustee, the Security Trustee, HoldCo, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

#### ***Limited source of funds***

The Issuer is a special purpose company, with no business other than its participation in the transaction described in this Prospectus. Accordingly, it has limited assets from which to generate the revenue necessary to make repayments of principal and payments of interest in respect of the Notes and to pay its operating and administrative expenses.

The ability of the Issuer to meet its obligations to repay principal and pay interest on the Notes, and its operating and administrative expenses, will be dependent primarily on receipts from the Transferred Loans in the Portfolio and interest earned on the Issuer Transaction Account. Other than the foregoing, the Issuer is not expected to have any other funds available to meet its obligations under the Notes and/or any other payment obligations of the Issuer under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of Noteholders to the Security following service of an Acceleration Notice is described below (see further "*Risk Factors – Legal, regulatory and tax risk – Other legal considerations - English law security and insolvency considerations*").

The Issuer will have no recourse to the Seller, save in the limited circumstances provided in the Loan Sale Agreement.

#### ***Limited recourse***

The Notes will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its payment obligations under the Notes will be dependent upon the receipt by it of (a) principal and interest from the Borrowers under the Transferred Loans in the Portfolio and (b) interest income on the Issuer Transaction Account. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes.

In the event that the net proceeds of enforcing and realising all the Security are (after application of the proceeds in accordance with the provisions of the Deed of Charge) insufficient to discharge in full all amounts then due and payable to any Secured Creditors (which include the Noteholders), the Issuer's obligation in respect of the unpaid amount shall be automatically extinguished and such Secured Creditors shall have no further claim against the Issuer in respect of such unpaid amount.

In the event of non-payment of any sum due and payable to a Secured Creditor, that Secured Creditor's only remedy shall be the Security Trustee's enforcement of the Security in accordance with the provisions of the Deed of Charge and the other Transaction Documents and/or in respect of the Noteholders, enforcement by the Note Trustee of the covenant to pay in the Note Trust Deed.

***Considerations relating to yield, repayments, voluntary repayments, mandatory redemptions and optional redemptions***

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of repayments of the outstanding balance of the ICR Loan account comprising principal and interest on the Transferred Loans. Repurchases of Transferred Loans required to be made by the Seller under the Loan Sale Agreement may have the same effect as a repayment of such Transferred Loans. The yield to maturity of the Notes of any Class may therefore be adversely affected by, among other things, a higher or lower than anticipated rate of repayments including voluntary repayments on, or repurchases of, the Transferred Loans.

The rate of repayments, including voluntary repayments, of Transferred Loans will be influenced by a wide variety of economic, social and other factors, including local and regional economic conditions, income levels, age, gender, mortality and inflation. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of repayments including voluntary repayments that the Portfolio will experience.

At any time if the Master Servicer ceases to collect loan repayments for all the Transferred Loans (excluding receipts in relation to Overseas Borrowers and those receipts which a Borrower has voluntarily moved to direct debit or another method of receipt) through the UK Tax System used to collect income tax and/or National Insurance or their replacements from time to time, the Seller shall repurchase the Transferred Loans under the Loan Sale Agreement at the Repurchase Price. For the avoidance of doubt the requirement to repurchase the Transferred Loans for the cessation of repayments referred to above shall not apply to circumstances where a Transferred Loan is cancelled or written-off in whole or in part in which case, if applicable, Compensation Payments may be due to the Issuer. If a Teacher Forgiveness Event occurs, the Seller shall repurchase the affected Transferred Loans under the Loan Sale Agreement at the Repurchase Price. If a CCA Event occurs the Seller may, in its discretion, determine to repurchase the Transferred Loans under the Loan Sale Agreement at the Repurchase Price. In addition, the Issuer may, subject to the Conditions, (a) redeem all (but not some only) of the Notes if a change in tax law results in the Issuer being required to make a deduction or withholding for or on account of tax in respect of payments to Noteholders of any amounts due under the Offered Notes; (b) redeem all (but not some only) of the Notes if an Index Event occurs or (c) redeem all (but not some only) of the Notes if a CCA Event occurs. This may adversely affect the yield to maturity on the Notes.

***Subordination of Notes***

Each Class of Notes ranks *pari passu* without preference or priority among themselves in relation to payment of interest and principal.

Prior to the service by the Note Trustee of an Acceleration Notice, payments of the Class A2 Note Amortisation Amounts rank in priority to principal payments on the Class A1 Notes and interest and principal payments on the Class B Notes and the Class X Notes. However, in the event of a Test A Breach that is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.

In respect of principal, prior to the service by the Note Trustee of an Acceleration Notice, the Class A1 Notes rank in priority to the Class B Notes and the Class X Notes but subordinate to the Class A2 Note Amortisation Amounts. However, in the event of a Test A Breach which is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.

In respect of interest, the Class A1 Notes and the Class A2 Notes rank *pari passu* amongst themselves without priority or preference. The Class A Notes rank in priority to the Class B Notes and the Class X Notes, and the Class B Notes rank in priority to the Class X Notes.

The Class B Notes rank in priority to the Class X Notes but will be subordinated to the Class A Notes.

The Class X Notes will be subordinated to the Class A Notes and the Class B Notes.

The Noteholders of any Class of Notes with a lower payment priority bear a greater risk of non-payment than any Class of Notes with a higher payment priority than such Class of Notes, and payments on the Notes are subordinate to payments of fees, costs and expenses to certain other Secured Creditors. Please see the Priorities of Payments as set out in the section entitled "*Cash flows*".

The terms on which the security for the Notes will be held will provide that, following service of an Acceleration Notice on the Issuer, payments will rank in the order of priority set out in the Post-Acceleration Priority of Payments. The Post-Acceleration Priority of Payments provides that amounts will be paid *pro rata* and *pari passu* in respect of the Class A1 Notes and the Class A2 Notes and no amounts will be paid to the Class B Noteholders until all amounts owing to the Class A Noteholders have been paid in full and that no amounts will be paid to the Class X Noteholders until all amounts owing to the Class A Noteholders and the Class B Noteholders have been paid in full. There is no assurance that these subordination provisions will protect the holders of a more Senior Class from all risk of loss.

#### ***Conflict between Classes of Noteholders***

The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class X Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise). If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the holders of the different Classes of Notes, then the Note Trustee is required to have regard only to the interests of the Noteholders of the Senior Class then Outstanding, and each less senior ranking Noteholder should note this fact. In addition, the Note Trust Deed contains provisions limiting the powers of the less senior ranking Noteholder to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Conditions) according to the effect thereof on the interests of the more senior ranking Noteholder. There is no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders and the Class X Noteholders, save in those circumstances where consent of all Classes of Noteholders is required.

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

The Deed of Charge contains provisions requiring the Security Trustee to have regard to the interests of all the Secured Creditors as regards the exercise and performance of all its power, rights, trusts, authorities, duties and discretions in respect of the Charged Property and the Transaction Documents. Notwithstanding such general requirement, so long as any of the Notes are outstanding, in the event of any conflict between the interests of the Noteholders and the other Secured Creditors, the Security Trustee is required to have regard to the interests of the Noteholders only and to take instructions from the Note Trustee in this regard.

The Issuer, the Seller and/or any of their respective Affiliates may from time to time hold Notes. However, pursuant to the Conditions and the Note Trust Deed, those Notes (if any) which are for the time being held by any person for the benefit of the Issuer, the Seller or any of their respective Affiliates will not be taken into account by the Note Trustee for the purposes of (i) the right to attend and vote at any Meeting of Noteholders including for the purposes of giving directions, making requests and passing resolutions (including Extraordinary Resolutions and Written Resolutions); (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clauses 8 (*Waiver*) and 11.3 (*Proceedings*) of the Note Trust Deed, Condition 14 (*Meetings of Noteholders; Modifications*) and Schedule 3 (*Provisions for Meetings of Noteholders*) to the Note Trust Deed; and (iii) any discretion, right, power or authority, whether contained in the Note Trust Deed or provided by law, which the Note Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them, except, where (i) all of the Notes of any Class are held by or on behalf of or for the benefit of the Issuer, the Seller or any of their respective Affiliates or (ii) any Notes are held

by any person (other than the Issuer, the Seller or any of their respective Affiliates) who holds such Notes on behalf of or for the benefit of an Affiliate of the Seller on a fully discretionary arm's length basis, in which case such Notes shall be deemed to remain outstanding.

***Meetings of Noteholders, modification and waivers***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting, Noteholders who voted in a manner contrary to the relevant majority required for such vote and Noteholders of other Classes of Notes.

The Conditions and the Note Trust Deed also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders or the other Secured Creditors, to (i) certain modifications of the Conditions and the Transaction Documents, of a formal, minor or technical nature or to correct a manifest error, (ii) certain modifications to the Conditions and the Transaction Documents (other than in respect of Basic Terms Modifications) which, in the opinion of the Note Trustee, are not materially prejudicial to the interests of the Noteholders as a whole (provided that where, in the opinion of the Note Trustee, there is a conflict between the interests of the different Classes of Noteholders the Note Trustee shall give priority to the interests of the Senior Class then Outstanding) or (iii) the waiver or authorisation of certain breaches or proposed breaches of, the Conditions or any of the Transaction Documents, which, in the opinion of the Note Trustee, are not materially prejudicial to the interests of the Noteholders as a whole (provided that where, in the opinion of the Note Trustee, there is a conflict between the interests of the different Classes of Noteholders the Note Trustee shall give priority to the interests of the Senior Class then Outstanding). Such modifications, waivers or authorisations could be adverse to certain Noteholders.

Further, the Conditions and the Note Trust Deed provide that the Note Trustee shall also be obliged in certain circumstances, without consent or sanctions of the Noteholders or any other Secured Creditor (other than those party to the relevant Transaction Document), to agree with (or direct the Security Trustee to agree with) any modification (other than in respect of a Basic Terms Modification) to the Conditions, the Notes or any Transaction Document for the purposes of (i) complying with, or implementing or reflecting, any change in the applicable criteria of one or more of the Rating Agencies which may be applicable from time to time, (ii) the Issuer Account Bank remaining eligible to perform its role in conformity with Rating Agency criteria and/or the Issuer Account Bank avoiding taking action which it would otherwise be required to take in order to enable it to perform its role under the Transaction Documents; (iii) complying with certain risk retention legislation (including the CRR, AIFMR and the Solvency II Regulation), regulations or official guidance in relation thereto, (iv) enabling the Notes to be (or to remain) listed on the London Stock Exchange; (v) enabling the Issuer or any of the other Secured Creditors to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), the Common Reporting Standard or any other Tax Information Arrangement; (vi) enabling the Issuer to appoint an entity to carry out any disclosure or reporting requirements under the CRA Regulation, (vii) complying with any changes in the requirements of the CRA Regulation after the Note Issuance Date, or (viii) in certain circumstances more fully described in Condition 14.3, enabling the Issuer to amend the base rate component of the Interest Rate applicable to the Class A1 Notes from LIBOR to an alternative base rate and to make such other amendments as are necessary or advisable by the Issuer (or the Master Servicer on behalf of the Issuer) to facilitate such a change (each a **"Proposed Amendment"**).

In relation to any such Proposed Amendment, the Issuer is required, amongst other things, to certify in writing to the Note Trustee that, in relation to such Proposed Amendment, it has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notices to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes. However, Noteholders

should be aware that (i) in relation to each Proposed Amendment other than a Base Rate Modification (as such term is defined in Condition 14.3(g)), if Noteholders representing at least 25 per cent. of the aggregate Note Principal Amount of the Senior Class then Outstanding and (ii) in relation to each Base Rate Modification, if Noteholders representing at least 10 per cent. of the aggregate Note Principal Amount of either the Class A1 Notes or the Class A2 Notes then Outstanding, have notified the Issuer and the Principal Paying Agent, in accordance with the notice and the then current practice of any applicable Clearing System through which such Notes may be held, by the time specified in such notice that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Senior Class then Outstanding is passed in favour of such modification in accordance with Schedule 3 (*Provisions for Meetings of Noteholders*) of the Note Trust Deed.

In addition, the Conditions and the Note Trust Deed provide that the Note Trustee shall also be obliged in certain circumstances, without the consent or sanction of the Noteholders or any other Secured Creditor who is not party to the Master Servicing Agreement, to direct the Security Trustee to concur with the Issuer and the Master Servicer to agree with any modification to the Services set out in the Master Servicing Agreement for the purposes of implementing or reflecting any change to the systems, processes and procedures of the Master Servicer for the collection of income tax in the United Kingdom provided that, amongst other things, (a) the Master Servicer certifies in writing to the Note Trustee, Security Trustee and the Issuer that such modification is necessary for the foregoing purpose (an "**MS Modification Certificate**") and (b) either the Master Servicer obtains from each of the Rating Agencies written confirmation that such modification would not result in a downgrade, withdrawal or qualification of the then current ratings assigned to the Class A Notes or the Class B Notes by such Rating Agency or the Master Servicer certifies that it has notified each of the Rating Agencies of the proposed modification in writing and none of the Rating Agencies has indicated that such modification would result in a downgrade, withdrawal or qualification of the then current ratings assigned to the Senior Class then Outstanding by such Rating Agency and (c) the Issuer (or the Master Servicer on its behalf) has certified in writing to the Note Trustee that, in relation to the proposed modification the Issuer has provided at least 30 days' notice to Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notices to Noteholders*).

The full requirements in relation to modifications discussed above are set out in the Note Trust Deed and Condition 14.3 (*Additional Modification Rights*) and Condition 14.4 (*Modifications to the Master Servicing Agreement*). See the section of this Prospectus entitled "*Terms and Conditions of the Notes – Condition 14.3 (Additional modification rights) and Condition 14.4 (Modifications to the Master Servicing Agreement)*".

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

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

Upon the occurrence of an Event of Default which is continuing, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25% in aggregate Note Principal Amount of the Senior Class then Outstanding or if so directed by an Extraordinary Resolution of the Senior Class then Outstanding shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), deliver an Acceleration Notice to the Issuer, copied to the Noteholders, the Security Trustee, the Agents and the other Secured Creditors, declaring that all Classes of the Notes then Outstanding are, without further action or formality, immediately due and repayable at their respective Note Principal Amount, together with accrued but unpaid interest as provided in the Note Trust Deed.

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such actions, steps or proceedings against the Issuer or any other party to



any of the Transaction Documents or any other actions, steps or proceedings as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Note Trust Deed (including the Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) of the other Transaction Documents to which it is a party and at any time after the service of an Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such actions, steps or proceedings (including, but not limited to, the giving of an Acceleration Notice in accordance with Condition 12 (*Events of Default*)) unless:

- (a) in the case of the Note Trustee, it shall have been directed or requested to do so by the relevant Noteholders in accordance with the Conditions and the Note Trust Deed;
- (b) in the case of the Security Trustee, for so long as any Class of Notes are Outstanding, it shall have been directed or requested to do so by the Note Trustee or, if no Notes remain outstanding, the person appearing highest in the Priority of Payments to whom amounts are then owing (provided that, where there is more than one such person ranking *pari passu*, the Security Trustee shall act in accordance with the written instructions of the person (if any) to whom the greatest amount is then owing by the Issuer); and
- (c) in all cases, it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

See also "*Terms and Conditions of the Notes – Condition 2.6 (Enforcement of the Security)*" below.

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

#### ***Non Petition***

The Security Trustee, the other Secured Creditors (or any other person acting on behalf of any of them) and each other party to the Transaction Documents shall not be entitled to take any action or commence any proceedings to recover any amounts due and payable by the Issuer under the Transaction Documents (except for the Security Trustee and Note Trustee as permitted pursuant to the Transaction Documents) or to take any action or commence any proceedings or petition a court for the liquidation of the Issuer, nor enter into any arrangement, reorganisation or Insolvency Proceedings in relation to the Issuer whether under the laws of England and Wales or other applicable bankruptcy laws until two years and one day after the payment or extinguishment of all Secured Obligations of the Issuer.

#### ***Capitalisation of Interest Payments on the Class B Notes***

If, on any Distribution Date, whilst any of the Class A Notes remain outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued but unpaid interest thereon) payable in respect of the Class B Notes, after having paid or provided for items of higher priority in the Pre-Acceleration Priority of Payments, then, under Condition 4.10 (*Interest Shortfall*) interest on the Class B Notes will not be paid (to the extent of the insufficiency) and such amount shall be added to the Note Principal Amount of the Class B Notes and shall bear interest in subsequent Interest Periods at the Interest Rate then applicable to the Class B Notes, without such non-payment resulting in an Event of Default (subject to the below).

Interest may not be capitalised or otherwise deferred on the Class A Notes or on the Class B Notes once the Class A Notes have been redeemed in full and any such capitalisation or deferral will result in an Event of Default (subject to applicable cure periods). Please see the

section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 4.10 (Interest Shortfall)*" for further details.

***The Notes may not be a suitable investment for all investors***

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

Anti-money laundering, anti-terrorism, corruption, bribery and similar laws adopted by jurisdictions may require certain assurances from prospective investors in the Notes, or disclosure of information relating to such investors, to governmental, regulatory or other authorities or to financial intermediaries, and that failure to comply with such requirements may result in a forced sale of an investor's Notes.

***Lack of liquidity in the secondary market may adversely affect the market value of the Notes***

No assurance is provided that there is an active and liquid secondary market for the Notes, and no assurance is provided that a secondary market for the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes or that a Noteholder will be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their 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 Notes have not been registered under the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the negotiation requirements of the Securities Act and any other applicable laws. Please see "*Subscription and sale—Selling Restrictions*" for further information about these and other transfer restrictions.

The Class X Notes, which are not the subject of the offering made in accordance with this Prospectus, will be initially sold subject to the terms of the relevant Class X Note Purchase Agreement and Condition 1.6 (*Transfers of Class X Notes*). See the sections of this Prospectus "*Summary of the Key Transaction Documents – Each Class X Note Purchase Agreement*" and "*Terms and Conditions of the Notes — Condition 1.6 (Transfers of Class X Notes)*" for further information.

### ***Ratings of the Offered Notes***

The ratings assigned to the Class A1 Notes and the Class A2 Notes by each Rating Agency are based, amongst other things, on the likelihood of full and timely payment to the holders of the Class A Notes of all payments of interest on a Distribution Date and the ultimate payment of principal, the terms of the Transaction Documents and other relevant structural features of this Transaction, including (but not limited to) the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Issuer Account Bank and a credit assessment of the Transferred Loans, and reflect only the views of the Rating Agencies.

The ratings assigned to the Class B Notes by each Rating Agency are based on the likelihood of full payment to the holders of the Class B Notes of all payments of interest on a Distribution Date and the ultimate payment of principal, the terms of the Transaction Documents and other relevant structural features of this Transaction, including (but not limited to) the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Issuer Account Bank and a credit assessment of the Transferred Loans, and reflect only the views of the Rating Agencies.

The Class X Notes will not be rated by the Rating Agencies.

The expected ratings of each Offered Note assigned on the Note Issuance Date are set out in "*Ratings*". A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgment, circumstances (including without limitation, a reduction in the credit rating of the Issuer Account Bank) in the future so warrant. See also "*Risk Factors – Assets and System Risks – Matters relating to the ICR Loans and the Portfolio - Change of counterparties*" below.

Credit ratings represent a rating agency's opinion regarding the credit quality of an asset but are not a guarantee of such quality. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the judgment of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of each Offered Note, which may in turn reduce the liquidity of the Offered Notes.

The Rating Agencies may also change their criteria and/or methodology at any time and the application of its revised criteria and/or methodology may lead it to lowering, withdrawing or qualifying its rating of the Offered Notes. If any rating assigned to the Offered Notes is downgraded or withdrawn, the market value and/or liquidity of the Offered Notes may be reduced.

Agencies other than the Rating Agencies could seek to rate each Offered Note and, if such unsolicited ratings are lower than the comparable ratings assigned to each Offered Note by the Rating Agencies, those shadow ratings could have an adverse effect on the value of each Offered Note. For the avoidance of doubt and unless the context otherwise requires, any

references to ratings or rating in this Prospectus are to ratings assigned by the specified Rating Agency only.

As of the date of this Prospectus, each of the Rating Agencies is established in the EU and has been registered under the CRA Regulation and is included in the list of registered credit rating agencies published on the website of European Securities and Markets Authority at [www.esma.europa.eu](http://www.esma.europa.eu). In the event that ESMA withdraws or suspends the registration of any Rating Agency under the CRA Regulation, the rating assigned to the Offered Notes by such Rating Agency would have to be withdrawn or suspended. If any rating assigned to the Offered Notes is withdrawn or suspended, the market value and/or liquidity of the Offered Notes may be reduced.

### ***Rating Agency Confirmation***

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 Note Trustee and/or Security 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 the relevant Rating Agency delivers a copy of each such confirmation to the Note Trustee and/or Security Trustee, or the Issuer certifies in writing that the Rating Agencies then rating the Notes have been informed of the proposed modification in writing 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. See the section of this Prospectus entitled "*Terms and Conditions of the Notes – Condition 14.3 (Additional modification rights) and Conditions 14.4 (Modifications to the Master Servicing Agreement)*".

No assurance can be given that any or all of the Rating Agencies will provide any such Rating Agency 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 a Rating Agency Confirmation in the time available and, in either case, the Rating Agencies will not be responsible for the consequences thereof. However, if a Rating Agency 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 Offered Notes should be aware that the Rating Agencies owe no duties whatsoever to any parties to the Transaction (including the Noteholders) in providing any Rating Agency Confirmation. In addition, it should be noted that any Rating Agency Confirmation:

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

### ***Investment Risk related to Permitted Investments***

Permitted Investments may be subject to investment risk. The Cash Manager shall invest the Issuer's funds held in the Note A2 Cash Account in Permitted Investments (which may be held on the Issuer Custody Account) in accordance with the Cash Management Agreement. However, it may be the case that such Permitted Investments will be irrecoverable due to insolvency of a debtor under such Permitted Investments or of a financial institution involved in

such Permitted Investments. In such case, none of the parties to the Transaction Documents will be responsible for any consequential loss or shortfall.

***Searches, investigations and warranties in relation to the Transferred Loans***

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Transferred Loans to be sold to the Issuer on the Note Issuance Date.

None of the Arranger, the Joint Lead Managers, the Note Trustee, Security Trustee, the Agents, or the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Transferred Loan in the Portfolio and each relies instead on the warranties given in the Loan Sale Agreement by the Seller in respect of the Transferred Loans sold by it. Without prejudice to any rights of the Issuer under the Loan Sale Agreement to require the repurchase by the Seller of any Transferred Loan following a breach of any Loan Warranty, the Seller will only actively monitor compliance with the Loan Warranties on an annual basis for a period of three years from the Note Issuance Date. Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents - Loan Sale Agreement*" for further details. The primary remedy of the Issuer against the Seller if any of the warranties made by it is breached or proves to be untrue, and such default is not remedied by a day falling 15 Business Days prior to the applicable MS Payment Date, shall be to require the Seller to repurchase the relevant Transferred Loan. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Loan Sale Agreement. None of the Issuer, the Security Trustee, the Note Trustee, the Arranger, the Joint Lead Managers, the Noteholders or any other Secured Creditor will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations. This may affect the quality of the Transferred Loans in the Portfolio, and accordingly the ability of the Issuer to make payments due on the Notes.

***Book-Entry Interests in respect of the Notes***

The Offered Notes will be issued on the Note Issuance Date in registered global form and represented by the Global Notes. The Class X Notes will be issued on the Note Issuance Date in registered definitive form and represented by Definitive Notes. Any Global Note issued will be delivered to a common safekeeper for Clearstream, Luxembourg and Euroclear, and will not be held by the beneficial owners or their nominees. Unless and until registered Definitive Notes are issued in exchange for the Book-Entry Interests (see "*Description of the Offered Notes in global form*" below), holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of the Notes under the Note Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts in respect of the Offered Notes to the relevant Clearing System or to holders or beneficial owners of Book-Entry Interests.

Euroclear in its capacity as common safekeeper for Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") will be considered the registered holder of the Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of the Global Notes under the Note Trust Deed while the Offered Notes are represented by Global Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of the relevant Clearing System and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Note Trust Deed.

Except as noted in the previous paragraphs, payments of principal and interest on, and other amounts due in respect of, the Global Note will be made by the Principal Paying Agent to a nominee of the Common Safekeeper. Upon receipt of any payment from the Principal Paying Agent, the relevant Clearing System will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect payments to owners of Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities

held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Security Trustee, or any Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

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

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

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

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

### ***Denominations***

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

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

### ***Reform of LIBOR Determinations***

Financial market reference rates and their calculation and determination procedures have come under close public scrutiny in recent years. Starting in 2009, authorities in jurisdictions

such as the European Union, the United States, Japan and others have investigated cases of alleged misconduct around the rate-setting of LIBOR and other reference rates. A number of initiatives to reform reference rate-setting have been launched as a consequence by the regulatory and supervisory communities as well as the financial markets. Following the UK government review of the London Interbank Offered Rate ("**LIBOR**") in 2012 (referred to as the Wheatley review), LIBOR has been reformed, with developments including:

- (a) the activities of administering a specified benchmark and of providing information in relation to a specified benchmark becoming regulated activities in the United Kingdom (LIBOR has been a specified benchmark since April 2013);
- (b) ICE Benchmark Administration Limited becoming the LIBOR administrator in place of the British Bankers' Association in February 2014;
- (c) a reduction in the number of currencies and tenors for which LIBOR is calculated; and
- (d) the introduction of a LIBOR code of conduct for contributing banks.

ICE Benchmark Administration Limited ("**IBA**") intends to make further reforms to the submission methodology for LIBOR panel banks.

LIBOR and other so-called "benchmarks" are the subject of reform measures by a number of international authorities and other bodies. Key international developments for reform of "benchmarks" include IOSCO's Principles for Financial Market Benchmarks (July 2013) and the Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmark Regulation**"). The Benchmark Regulation was published in the Official Journal of the EU on 29 June 2016 and will apply from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that apply from 30 June 2016). It is directly applicable law across the EU.

The purpose of the Benchmark Regulation is to regulate the risk of manipulating the value of "benchmark" rates or indices, (such as LIBOR and EURIBOR) and to reduce the risk of conflicts of interests arising from the determination thereof. It aims at improving the quality, integrity and accuracy of the input data and the transparency of the methodologies used by administrators and at improving governance and controls of both administrators' and contributors' activities. Further to these aims, the Benchmark Regulation applies principally to "administrators" and also, in some respects, to "contributors" and certain "users" of "benchmarks", and will, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and make significant changes to the way in which benchmarks falling within scope of the Benchmark Regulation are governed (including reforms of governance and control arrangements, obligations in relation to input data, certain transparency and record keeping requirements and detailed codes of conduct for contributors) and (ii) prevent certain uses of "benchmarks" provided by unauthorised administrators by supervised entities in the EU.

The scope of the Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices, could also potentially apply to many interest rate and foreign exchange rate indices, equity indices and other indices (including "proprietary" indices or strategies) where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue, financial contracts and investment funds. As at the date of this Prospectus, the only benchmark that has been designated by the Commission (through an implementing regulation dated 11 August 2016) is Euro Interbank Offered Rate ("**EURIBOR**").

The new regulation could have a material impact on any Notes linked to a "benchmark" rate or index, in particular, potential effects of the Benchmark Regulation include (among other things):

- (a) an index which is a "benchmark" could not be used by a supervised entity in certain ways if its administrator does not obtain authorisation or, if based in a non-EU jurisdiction, the administrator is not otherwise recognised as equivalent; and
- (b) the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could (among other things) have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level of the benchmark.

It cannot be ruled out that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such benchmarks. Other administrators may cease the provision of certain "benchmarks" because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith. More broadly, any of the international, national or other measures or proposals for reform or general increased regulatory scrutiny of "benchmarks" could have a material adverse effect on the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance of certain "benchmarks".

Benchmarks such as LIBOR may be discontinued if they do not comply with the requirements of the Benchmark Regulation or if the administrator of the benchmark either fails to apply for authorisation or is refused authorisation by its home regulator. In July 2017, Andrew Bailey, chief executive of the FCA, stated in a speech that discussed the Benchmark Regulations, that market participants should not rely on LIBOR being available after 2021. The FCA has statutory powers to compel panel banks to contribute to LIBOR where necessary. The FCA has decided not to ask, or to require, that panel banks continue to submit contributions to LIBOR beyond the end of 2021. The FCA has indicated that the current panel banks will voluntarily sustain LIBOR until the end of 2021. The FCA's intention is that after 2021, it will no longer be necessary for the FCA to persuade, or to compel, banks to submit to LIBOR. The FCA does not intend to sustain LIBOR through using its influence or legal powers beyond that date.

It is possible that the LIBOR administrator, IBA, and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so. However, the survival of LIBOR in its current form, or at all, is not guaranteed after 2021.

In particular, investors should be aware that:

- (a) any of these reforms or pressures or any other changes to a relevant interest rate benchmark (including LIBOR) could affect the level of the published rate, including causing it to be higher or lower and/or more volatile than it would otherwise be. Moreover, the administrator of a relevant benchmark will not have any involvement in the Class A1 Notes and may take any actions in respect of such benchmark without regard to the effect of such actions on the Class A1 Notes;
- (b) if the screen rate component of LIBOR is discontinued and an amendment as described in paragraph (c) below has not been made, then the rate of interest on the Class A1 Notes will be determined for a period by the fall-back provisions provided for under Condition 4.8 (*LIBOR Determination*), although such provisions, being dependent in part upon the provision by Reference Banks of offered quotations for the LIBOR rate, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may result in the Calculation Agent specifying another page or service to determine the base rate; and
- (c) while an amendment may be made under Condition 14.3 (*Additional Modification Rights*) to amend the base rate component of the Interest Rate applicable to the Class A1 Notes from LIBOR to an alternative base rate under certain circumstances broadly



related to LIBOR disruption or discontinuation and subject to certain conditions (including the production of a Base Rate Modification Certificate), there can be no assurance that any such amendment will be made or, if made, that it (i) will fully or effectively mitigate interest rate risks or result in an equivalent methodology for determining the base rate applicable to the Class A1 Notes or (ii) will be made prior to any date on which any of the risks described in this risk factor may become relevant.

Investors should note the various circumstances under which a Base Rate Modification may be made, which are specified in Condition 14.3 (*Additional Modification Rights*). As noted above these circumstances broadly relate to LIBOR's disruption or discontinuation, but also include, among other matters, any public statements by the LIBOR administrator or its supervisor to that effect. And a Base Rate Modification may also be made if the Issuer (or the Master Servicer on its behalf) reasonably expects any of these circumstances to occur within six months of the proposed effective date of such Base Rate Modification. Investors should also note the various options permitted as an Alternative Base Rate as set out in Condition 14.3 (*Additional Modification Rights*) which include, among others, a base rate published, endorsed, approved or recognised by the Bank of England or such other base rate as the Master Servicer reasonably determines. Investors should also note the negative consent requirements in relation to a Base Rate Modification. (Please see the section titled *Risk Factors – Transaction Structure - Meetings of Noteholders, modification and waivers* in respect of the Note Trustee's additional rights of modification to the Transaction Documents).

Any of the above or any other significant changes to the setting or existence of LIBOR could affect the ability of the Issuer to meet its obligations under the Notes or have a material adverse effect on the value of, or liquidity of and the amount payable under the Notes. No assurance may be provided that relevant changes will not be made to LIBOR or any other relevant benchmark rate and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Notes.

#### ***Risks relating to the Retail Prices Index***

Payments of interest in respect of the Class B Notes are subject to the Index Rate, which is determined on the basis of the Retail Prices Index ("**RPI**").

The RPI is the most familiar general purpose domestic measure of inflation in the UK even though the Government has since December 2003 used the Consumer Price Index (CPI) as its main measure of inflation in the economy rather than the RPI.

The RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

The RPI is compiled by the UK Office of National Statistics ("**ONS**") using a large and representative selection of approximately 700 separate goods and services for which price movements are regularly measured in approximately 140 areas throughout the UK. Approximately 180,000 separate price quotations are used each month in compiling the RPI. The UK Government uses the RPI for its own existing inflation-linked bonds. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes a couple of weeks for the ONS to compile the index, so they publish each month's RPI figure during the following month (e.g. the figure relating to February will be published in March).

The RPI figures used in the calculation of interest payments on the Class B Notes are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on the RPI, including past and further performance and its volatility, can be found at the following website: [www.ons.gov.uk](http://www.ons.gov.uk).

The provisions of Condition 4.7 (*Additional indexation provisions*) relating to the calculation and application of the indexation to adjust the payments of interest on the Class B Notes do not use the prevailing RPI as at the time of such calculation and application.

Accordingly, the indexation of the payments of interest on the Class B Notes may not match the prevailing effects of inflation and, therefore, this may result in economic loss to holders of the Class B Notes.

The Issuer does not intend to provide post-issuance information relating to RPI other than as required under the Conditions.

#### ***Certain risks related to fixed rate Notes***

The Interest Rate applicable to the payment of interest on the Class A2 Notes is a fixed rate of interest as set out in Condition 4.5 (*Interest Rate*). Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of such Notes.

#### ***Fees Shortfall and control by the Noteholders of the Senior Class***

If the Seller is notified by the Cash Manager that a Fees Shortfall will occur on the immediately following Distribution Date, the Seller will have the option under the Loan Sale Agreement (the "**Fees Shortfall Repurchase Option**") to repurchase all outstanding Transferred Loans held by the Issuer for a price equal to £1, unless (i) the Noteholders of the Senior Class advance or procure the advance to the Issuer of cleared funds in an amount at least equal to the Fees Shortfall and (ii) the Noteholders of the Senior Class do not pass an Extraordinary Resolution vetoing the Issuer entering into the proposed Fees Shortfall Loan.

If the Seller exercises the Fees Shortfall Repurchase Option in accordance with the Loan Sale Agreement, then if Available Receipts on the Distribution Date immediately following the repurchase date are insufficient to discharge in full all amounts then due and payable to Noteholders, the Issuer's obligation in respect of such amounts shall be automatically extinguished and the Noteholders shall not receive any further payments of interest or principal with respect to the Notes and shall have no further claim against the Issuer in respect of such amounts.

As a result, the Noteholders of the Senior Class are entitled to block the Seller's right to use the Fees Shortfall Repurchase Option and the subsequent redemption as set out in Condition 5.8 (*Fees Shortfall*). See the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 5.8 (Fees Shortfall)*" for details in this respect. However the interests of the Senior Class may not align with those of the other class of Notes and, accordingly, the Senior Class may not exercise such veto right in circumstances where some or all of the other Class of Notes may have.

#### ***Transaction structure; new asset class***

Although the Transaction structure is based on other UK asset backed securitisations, the sale and securitisation of student loans originated by a government is a new asset class with very few such transactions in Europe involving assets which have not been securitised before. Moreover, the sale and securitisation of income-contingent repayment loans such as the Transferred Loans is novel and the Transaction represents the first time that such assets have been securitised. Accordingly, a transaction of this nature has not yet been properly market tested. As a result, an investment in the Notes will involve certain increased risks. Each potential investor in the Notes must determine the suitability of such investment in light of its own circumstances.

In addition, the structure of the Transaction relies on a number of legal concepts which have not been tested in the courts as this is a new asset class relying, for example, on a specific transfer regime under the Act and the judicial precedents, legal authorities and other

considerations are subject to change; see also "*Risk Factors — Legal, regulatory and tax risk — Other legal considerations — Change of law*".

In addition, the Transaction structure is based on customary assumptions including, in relation to the compliance of the transaction parties with relevant representations, warranties and undertakings, the validity and enforceability of the agreements pursuant to which the Transferred Loans were originated, and to the arm's length nature of the transactions entered into by the parties to the Transaction Documents and their related intentions. Consequently there can be no certainty that a court, a regulatory authority or an insolvency administrator or liquidator would rule in the same manner as contemplated in the legal advice received by the Issuer. Any decision deviating from the advice received may adversely affect the rights and obligations of the Noteholders and even the viability of the Transaction structure.

Investors in the Notes should also note that disputes under the Loan Sale Agreement and the Master Servicing Agreement will be subject to arbitration, with seat in London, in accordance with the Rules of the LCIA (formerly the London Court of Arbitration) rather than to litigation in the English courts.

### ***Eurosystem eligibility***

The Offered Notes when in global form are intended to be held in a manner which will allow Eurosystem eligibility. This does not necessarily mean that the Offered Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will, among other matters, depend upon satisfaction of the Eurosystem eligibility criteria set out in the Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on monetary policy instruments and procedures of the Eurosystem (recast) (ECB/2014/60) as amended and applicable from time to time. In addition, for as long as any Class of Notes are intended to be held in a manner which will allow Eurosystem eligibility, loan-level data would need to be made available in such manner as required by the European Central Bank (the "ECB") to comply with the Eurosystem eligibility criteria, subject to applicable data protection rules.

The Issuer does not intend to apply for recognition of any Class of the Notes as eligible collateral for the purposes of Eurosystem monetary policy and intra-day credit operations and the loan-level data in the form referred to above will not be made available in compliance with the requirements of the ECB.

Accordingly, none of the Notes are expected to be eligible collateral for the Eurosystem.

### ***Bank of England eligibility***

Whilst certain bank schemes such as the Bank of England's Discount Window Facility ("DWF"), Funding for Lending Scheme ("FLS") or Term Funding Scheme ("TFS") provide an important source of liquidity upon satisfaction of the eligibility criteria as specified by the Bank of England, none of the Notes have been structured to be eligible for the DWF, FLS, TFS or any other central bank liquidity scheme.

### ***General volatility in the wholesale funding markets***

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) persist, in particular with respect to current economic, monetary and political conditions in the Eurozone, the UK and the United States. 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 and/or any Borrower in respect of the Transferred 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 existence of a secondary market for the Notes, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

### ***EU Membership***

The United Kingdom held a referendum on 23 June 2016 (the "**UK Referendum**"). A majority voted for the UK to leave the European Union. On 29 March 2017, the Government notified the European Council in accordance with Article 50(2) of the Treaty of the European Union of the UK's decision to withdraw from the European Union. The timeframe for such withdrawal is two years from the date of notification, unless otherwise agreed. While the UK is still a member of the EU, EU law will apply. No assurance can be given that the negotiations with the EU and the UK's exit from it will not adversely affect the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Following the UK Referendum the First Minister of Scotland has indicated that she may seek a referendum on the issue of Scottish independence from the UK. It is uncertain as to whether this referendum is likely to take place.

No assurance can be given that such matters would not adversely affect the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and/or the ability of SLC, headquartered in Scotland, to perform its role.

## **2. ASSETS AND SYSTEMS RISKS**

### **2.1 Matters relating to the ICR Loans and the Portfolio**

#### ***Repayments contingent on Borrower income***

The Transferred Loans are income-contingent repayment loans and, therefore, Borrowers are not required to make any repayments unless their income is over the Repayment Threshold. The Transferred Loans do not have repayment schedules and the amount of repayments received will vary according to a Borrower's level of income and whether a Borrower also has a Plan 2 Loan, although Borrowers with both a Plan 1 Loan and a Plan 2 Loan as at the Final Extraction Date will be excluded from the Portfolio.

Historical performance and reference to historical information cannot give assurance that repayments on the ICR Loans will remain constant especially given the operation of the Repayment Threshold to exclude repayment by those earning less than this threshold. Performance will therefore depend on a number of factors including general economic and political conditions, unemployment trends, location of the Borrower, and circumstances of individual Borrowers. Consequently, no accurate prediction can be made of how the Transferred Loans will perform.

Borrowers may take time away from work (for example, maternity or shared parental leave or a career break), undertake non-paid carer roles (for children or elderly relatives) or enter into part-time or flexible hours contracts which could mean that such Borrowers are less likely to reach the Repayment Threshold. Borrowers may also suffer illness (which does not constitute a statutory cancellation event as described in the risk factor entitled "*Risk Factor – Assets and System Risks – Matters relating to the ICR Loans and the Portfolio – Statutory cancellation*" below) or other disruptive events which result in them taking time away from work or undertaking less work or undertaking work which is less well paid. This could adversely affect the rate of repayment and voluntary repayment of Transferred Loans and such Borrowers may be less likely to repay their ICR Loans in full by the statutory cancellation date. These factors are not within the control of the Issuer and therefore no assurance can be given as to the level of repayments or voluntary repayments that the Portfolio will experience.

Failure of Borrowers to commence or continue making payments under the Transferred Loans could have a material adverse effect on the ability of the Issuer to make repayments of interest and principal on the Notes.

On 9 October 2017, the Government confirmed certain changes to aspects of the student finance policy, including in respect of earnings thresholds and tuition fees (See "*The Transferred Loans - Repayments where a Borrower has Plan 1 Loans and Plan 2 Loans or a Postgraduate Master's Loan*"). The Prime Minister in her speech at the Conservative Party Conference in early October 2017 announced a review of student finance. Neither these changes, when implemented, nor the review will directly relate to Plan 1 Loans or affect any Transferred Loans forming a part of the Portfolio. If changes were made in the future to student finance policy which affect Plan 1 Loans, including Transferred Loans, Compensation Payments may be payable in relation to such Transferred Loans. No assurances can be given that further changes to the student finance system which impact the Transferred Loans will not be made.

### ***ICR Loans not advanced on the basis of Borrower creditworthiness***

All ICR Loans were advanced to eligible Borrowers on identical terms (in respect of each cohort), regardless of creditworthiness and any differential in anticipated future earnings potential. As such the Seller undertook no review of a borrower's credit history, employment history and status, repayment ability and debt service-to-income ratio or engaged in any other commercial underwriting processes in originating the Transferred Loans.

Similarly, no geographic, university type, course type or other factors were taken into account by the Seller in originating the Transferred Loans (other than the limited eligibility requirements for qualifying loans under the THEA and the Loan Regulations).

In addition, the Portfolio is likely to comprise ICR Loans made to Borrowers who as of the Final Extraction Date may have impairments to their credit profile, such as a county court judgment, an individual voluntary arrangement or a bankruptcy order.

### ***Multiple Employments***

If a Borrower has multiple employments with different employers which are all subject to collection through PAYE system (and in respect of which the relevant Borrower does not complete a self-assessment tax return) which in aggregate would exceed the applicable Repayment Threshold for an ICR Loan but do not do so individually, no collections will be made by the Master Servicer (unless, in certain limited circumstances, UK tax rules provide for aggregation of earnings, for example, for multiple employments with associated employers). This is because the determination as to whether a Borrower's income has reached the Repayment Threshold for PAYE, in accordance with the current Loan Regulations, is generally determined at the employment level and not based on the aggregate earnings of the Borrower. Consequently, multiple employments cannot be combined to make a deduction from a Borrower's total income. If a Borrower has employments which all pay below the threshold, this gives rise to the situation that a Borrower may have total earnings exceeding the threshold but the employers will not have to deduct any repayments. Similarly, if a Borrower has one employment above the threshold and one or more employments below the threshold, the other employments will not be taken into account. These circumstances should not arise where a Borrower is required to complete a self-assessment tax return or is repaying its loan directly to the SLC, because the Borrower is resident overseas. Subject to any future changes in systems or policy by the Master Servicer (and/or its Delegates), this approach will continue in relation to the Transferred Loans and will be consistent with the delivery of the Services to the Issuer by the Master Servicer under the Master Servicing Agreement.

In the 2015/16 tax year, approximately 167,000 Borrowers of Plan 1 Loans (across all Plan 1 Loan cohorts) had more than one concurrent PAYE employment. In accordance with the current Loan Regulations, ICR Loan repayment is applied to each individual employment separately. If ICR Loan repayments were based on the total income of these Borrowers, this

would have potentially raised collections by approximately 2.5% across all Plan 1 Loans in respect of the 2015/16 tax year.

An increase in the number of Borrowers with multiple employments could adversely affect the rate of repayment of Transferred Loans and such Borrowers may be less likely to repay their ICR Loan in full by the statutory cancellation date. Such an increase is not within the control of the Issuer and therefore no assurance can be given as to the level of multiple employments the Portfolio will experience. Conversely, any future change in policy to total income assessment could result in earlier repayment in full of ICR Loans of the affected Borrowers.

An increase in the number of Borrowers with multiple employments could have a material adverse effect on the ability of the Issuer to make payments of interest and principal on the Notes.

### ***Borrowers with Plan 1 Loans and Plan 2 Loans or Postgraduate Master's Loans***

The Portfolio will not include ICR Loans where the Borrower has a Plan 1 Loan and a Plan 2 Loan as at the Final Extraction Date. Subject to eligibility, if a Borrower in the Portfolio takes out a Plan 2 Loan after the Final Extraction Date, the Plan 1 Loan of such Borrower will remain in the Portfolio and the Borrower's repayments will be allocated between the Plan 1 Loan and the Plan 2 Loan according to their different repayment terms as set out in the Repayment Regulations.

As a result, this may reduce the amount of repayments attributable to the Plan 1 Loans within the Portfolio of any Borrower who also takes out a Plan 2 Loan after the Final Extraction Date and this may adversely affect the ability of the Issuer to satisfy its obligations under the Notes. Compensation payments under the Loan Sale Agreement will not be payable in such circumstances.

Changes in the Repayment Regulations might alter the repayment terms or alter the allocation between Plan 1 and Plan 2 repayments. See "*The Transferred Loans – Repayments where a Borrower has Plan 1 Loans and Plan 2 Loans or a Postgraduate Master's Loan*" for further details.

Subject to eligibility, Borrowers in the Portfolio may have taken out a postgraduate master's loan for a master's degree (a "**Postgraduate Master's Loan**"), or may take one out in the future. Launched in summer 2016, the Postgraduate Master's Loan provides up to £10,280 to help students to fund eligible full-time or part-time postgraduate master's degrees. Repayments are income contingent but do not impact amounts repayable on Plan 1 Loans. Any repayments on Postgraduate Master's Loans are in addition to repayments due on Plan 1 Loans. Postgraduate Master's Loans are a separate product from Plan 2 Loans. Borrowers with Postgraduate Master's Loans have not been excluded from the Portfolio.

The Postgraduate Certificate in Education ("**PGCE**") is a higher education course on offer in England, Wales and Northern Ireland which provides training in order to assist graduates to become teachers within maintained schools. Where a Borrower has a mortgage style loan ("**MSL**") (from courses starting before 1998) and an ICR Loan for a PGCE, the Borrower, under existing regulations, has the option to choose which loan to repay first or alternatively to repay both types of loan at the same time (subject to the Borrower's earnings being above the threshold for the ICR Loan).

Approximately 2,300 of Borrowers included in the Portfolio currently hold a PGCE loan, which is an ICR Loan, while also holding a MSL. They represent approximately 0.5% of total Borrowers (0.2% of total outstanding balances). Approximately 37% of these PGCE Borrowers have made at least one repayment in 2015 / 2016 to their outstanding PGCE loan balance. Approximately 23% of these PGCE Borrowers have earnings above the threshold. Borrowers cannot take out new PGCE loans.

### ***Amendments to eligibility criteria for ICR Loans and other student financial support***

The UK Government may amend, from time to time, the eligibility criteria relating to Plan 2 Loans, Postgraduate Master's Loans and other student financial support (including grants and bursaries) provided by it. The UK Government may also provide new types of financial support to Borrowers who commence further periods of study. This may lead to more Borrowers (including Borrowers under Plan 1 Loans included in the Portfolio) being able to access Plan 2 Loans, Postgraduate Master's Loans and other student financial support, which could positively or negatively impact the ability for such Borrowers to repay their existing ICR Loans. In respect of Borrowers having a Plan 1 Loan and a Plan 2 Loans or Postgraduate Master's Loans, we refer to "*Risk Factor – Assets and System Risks – Matters relating to the ICR Loans and the Portfolio –Borrowers with Plan 1 Loans and Plan 2 Loans or Postgraduate Master's Loans*" above.

### ***Statutory cancellation***

A Borrower's liability to repay their ICR Loan will be cancelled in full if the Borrower:

- (a) dies;
- (b) receives a disability-related benefit and, because of the disability, is permanently unfit for work; or
- (c) reaches the age of 65.

ICR Loans that have been cancelled have been excluded from the Portfolio as at the Final Extraction Date but any ICR Loans that are cancelled or cancellable since that date have not been excluded from the Portfolio. Mortality and/or incidences of disability in the Portfolio may have a material adverse effect on the ability of the Issuer to make payments of interest and principal on the Notes.

Furthermore, due to the average salary of Borrowers in the Portfolio and the average loan balance outstanding, it is unlikely that all Borrowers in the Portfolio will fully repay their Transferred Loans prior to reaching the age of 65. This could have a material adverse effect on the ability of the Issuer to make payments of interest and principal on the Notes.

### ***Possible exposure of the Issuer to fraud or money laundering***

The Issuer is exposed to possible fraud or illegal money laundering activities by Borrowers, purported Borrowers, higher education institutions and their employees.

Attempted fraud typically involves Borrowers seeking to obtain funds by adopting a false identity or seeking to falsely claim attendance on a course of study.

Money laundering offences cover a wide range of criminal activities involving the disguise and recycling into the legitimate economy of criminal proceeds.

The Master Servicer (via its Delegates) has in place processes and procedures designed to counter fraud and potential money laundering and to address and deal with the consequences arising from criminal, dishonest, fraudulent or malicious acts committed by Borrowers and staff; however it is possible that fraud or money laundering activities, if undetected or unprevented, could adversely affect the Issuer's revenues and/or profits which could in turn adversely impact the Issuer's ability to fulfil its obligations under the Notes.

### ***Geographic concentration risks***

The Transferred Loans may be subject to geographic concentration risks within certain regions of the United Kingdom. To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions than other regions in the United Kingdom, a concentration of the Transferred Loans

in such a region may be expected to exacerbate the risks relating to the Transferred Loans described in this Prospectus. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the Borrowers in that region or in the region that relies most heavily on that industry. These circumstances could affect receipts on the Transferred Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Transferred Loans as at the Cut-Off Date, see "*Characteristics of the Portfolio – Geographic Region*".

### ***Overseas Borrowers***

As at the Cut-Off Date 3.8% of the Portfolio, by principal balance, comprises ICR Loans made to Borrowers who were recorded on the records of the Seller as Overseas Borrowers on such date.

As Overseas Borrowers are not resident in the United Kingdom for tax purposes they will not automatically be paying United Kingdom income tax (whether PAYE or self-assessment). Accordingly, payments under ICR Loans advanced to Overseas Borrowers are collected through SLC (acting, from the Note Issuance Date, as delegate of the Master Servicer in respect of the Transferred Loans). If an Overseas Borrower fails to pay an instalment or another amount on time and so falls into arrears, under the Repayment Regulations the Seller could require the Overseas Borrower to repay the full outstanding amount immediately in a single payment. In practice, this right to accelerate loans is only exercised in extremely limited circumstances.

While SLC does take some enforcement action against defaulting Overseas Borrowers, collecting and enforcing ICR Loans against Overseas Borrowers is subject to a number of practical and other difficulties including tracing the Overseas Borrower (if he or she has not notified SLC of a new address), referring the case to debt collection agencies in local jurisdictions and, potentially, enforcement action through the courts. In practice, these steps rarely result in litigation action being taken in United Kingdom or local courts due to the costs involved.

Furthermore, if SLC's receipt policies with respect to Overseas Borrowers change, this could increase the amounts outstanding in respect of such Transferred Loans being written-off to the detriment of investors.

When a Borrower leaves the United Kingdom to reside abroad his or her ICR Loans can no longer be recovered automatically via the UK Tax System, unless they have United Kingdom source income and are required to submit a United Kingdom tax return. Accordingly, if there are increases in the level of emigration by Borrowers, the number of Overseas Borrowers in the Portfolio may increase over time which could adversely affect the amount of Receipts paid to the Issuer in respect of the Transferred Loans. Subject to any future changes in systems or policy by the Master Servicer (and/or its Delegates), this approach will continue in relation to the Transferred Loans and will be consistent with the delivery of the Services to the Issuer by the Master Servicer under the Master Servicing Agreement.

### ***Cessation of receipts through the UK Tax System***

Receipt of interest and principal on the Transferred Loans is and will, after the Note Issuance Date, continue to be made predominantly through the UK Tax System.

If the Master Servicer ceases to collect loan repayments for all the Transferred Loans (excluding receipts in relation to Overseas Borrowers and those receipts which a Borrower has voluntarily moved to direct debit or another method of receipt) through the UK Tax System used to collect income tax and/or National Insurance or their replacements, from time to time, the Seller shall repurchase all of the Transferred Loans under the Loan Sale Agreement and the Issuer shall redeem the Notes together with accrued but unpaid interest and any



Redemption Amount thereon (which will include a "make-whole" payment in respect of the Class A2 Notes).

Such repurchase may result in a repayment of the Notes earlier than expected.

For the avoidance of doubt the requirement to repurchase the Transferred Loans for the cessation of repayments referred to above shall not apply to circumstances where a Transferred Loan is cancelled or written-off in whole or in part in which case, if applicable, Compensation Payments may be due to the Issuer.

### ***Changes to Loan Terms***

Following the Note Issuance Date, the Seller will retain discretion to make changes to the Loan Regulations, and as a result the Loan Terms derived from them. Such changes may relate to the timing, thresholds, amounts of repayments, statutory cancellation rights and interest rate, (including where the Secretary of State chooses not to apply a 0% floor) which would apply to all Plan 1 Loans whether part of this Transaction or not.

The Conservative Party Manifesto 2017 contains reference to forgiveness of student loan repayments for teachers. DfE have since announced on 1 October 2017 that the UK Government is continuing to develop and may implement policy and plans in this respect. This may lead to the partial or complete forgiveness of loans of certain Borrowers who may qualify under such policy, including by way of piloting an announced new student loan reimbursement scheme for science and modern foreign language ("**MFL**") teachers in the early years of their career, targeted at certain areas in the country. The new pilot scheme is aimed to benefit approximately 800 MFL and 1,700 science teachers a year. Government policy may not be limited to the launch of such new student loan reimbursement schemes.

Such changes could have an adverse effect on the ability of the Issuer to make payment to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all. For instance, any loans which have been forgiven further to any UK Government Policy relating to forgiveness of student loan repayments for teachers as described above may reduce the amount of repayments attributable to the Plan 1 Loans within the Portfolio of any Borrower who qualifies under such scheme after the Final Extraction Date and this may adversely affect the ability of the Issuer to satisfy its obligations under the Notes. It should also be noted that the forgiveness of such loans would not qualify as Compensation Events and compensation payments under the Loan Sale Agreement will not be payable although the Seller is under an obligation to repurchase any affected Plan 1 Loans in such circumstances.

Under the Loan Sale Agreement, the Secretary of State will undertake to pay compensation to the Issuer if amendments which are Compensation Events are in fact made to the Loan Regulations.

Compensation payments are only intended to protect the Issuer against the net negative impact on cash flows of changes to the Loan Terms of the Transferred Loans as a consequence of a Compensation Event. For the avoidance of doubt, no Compensation Payment will be made by the Seller in respect of a repayment that would not have actually been made by the Borrower if the Compensation Event had not occurred. Nothing in the Loan Sale Agreement shall constitute a guarantee or similar obligation by the Seller in respect of any Transferred Loan.

For the avoidance of doubt, the information which is necessary to calculate Compensation Payments would primarily include Borrower income or earnings data. At present, the UK Tax System is the primary source for collection of such data from Borrowers. As such, if a Borrower (or its employer) fails to provide this information, the Borrower (or its employer) could be in breach of its wider tax-related obligations to HMRC. If a Borrower (or its employer) fails to provide the information which is necessary to calculate the compensation payment then the Seller shall not be required to make compensation payments in relation to such Borrower until

the necessary information is available. Accordingly, the ability to determine and pay the compensation payments will be subject to provision of accurate information by Borrowers.

In addition, in relation to an Overseas Borrower the information necessary to calculate the compensation payments will not be available if such Borrower's Transferred Loan has been repaid or cancelled or is subject to a Loan Write-Off Date Amendment or a Loan Cancellation Amendment. In this case the Master Servicer shall determine the compensation payments in relation to such Borrowers on the basis of reasonable assumptions. Accordingly, the compensation payment payable to the Issuer in such circumstances may be lower than would have been payable if the Borrower was not an Overseas Borrower.

In determining any Compensation Payments the Master Servicer may have to exercise reasonable commercial judgments about how to calculate such payments and the assumptions that it should take in making such calculations. This will be particularly relevant in relation to an Other Terms Amendment that results in a Compensation Event or in determining Compensation Payments in relation to Overseas Borrowers (for whom the information required to maintain the Compensation Book may not be available). In such circumstances the determinations made by the Master Servicer may not accord with those that would have been made if such information had been available or may not accord with the determinations which Noteholders consider should have been made.

#### ***Borrowers' historic bankruptcy and IVAs***

Since 1 September 2004 in relation to a Borrower's bankruptcy debts and 6 April 2010 in relation to IVAs, ICR Loans are not included in a Borrower's bankruptcy or IVA. This means that since such dates ICR Loans (including the Transferred Loans) are not discharged following a Borrower's bankruptcy or IVA.

To the best of the Seller's knowledge, there are no ICR Loans in the Portfolio to Borrowers where the Borrower's bankruptcy occurred before 1 September 2004. There will continue to be further Loan Write-Offs for Borrowers with IVAs who complete their IVA repayment schedules set up before 6 April 2010 over future years.

Furthermore, there may be some instances where a bankruptcy or IVA of a Borrower prior to 1 September 2004 and 6 April 2010, respectively, has not been correctly recorded by the Master Servicer. Such Borrower's ICR Loans will be written-off as soon as such error is identified and any payments incorrectly collected will be repaid to the Borrower. Such repayments will be for the account of the Issuer and will reduce amounts available for payment of interest and principal to Noteholders.

#### ***Limited secondary market for Transferred Loans***

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default (as defined in the Conditions) in relation to the Notes while any of the Transferred Loans are still outstanding, may depend upon whether the Transferred 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 student loans of this type in the United Kingdom. There can be no assurance that a secondary market for the Transferred Loans will exist or, if a secondary market does develop, that it will provide sufficient liquidity of investment for the Transferred Loans to be realised or that if it does develop it will continue for the life of the Notes. The Issuer, and following the occurrence of an Event of Default, the Security Trustee, may not, therefore, be able to sell the Transferred Loans for an amount sufficient to discharge amounts due to the Secured Creditors (including the Noteholders) in full should they be required to do so. Any assignment or transfer of the Transferred Loans by the Issuer will be subject to conditions set out in the Loan Sale Agreement, including the conditions that the assignment or transfer (including the price payable in respect of such assignment or transfer by the relevant assignee or transferee) is approved by each Class of Noteholder acting by way of Ordinary Resolution, that the Issuer gives at least one month's prior written notice of such assignment or transfer to the Seller and the Noteholders and that the Master Servicer may

specify an increased Servicing Fee if the transfer would result in servicing being provided to more than one transferee (provided that any such increased Servicing Fee is directly related to a corresponding rise in costs to the Master Servicer in providing the Services to more than one transferee).

### ***Actual cash flow distributions***

Receipts on the Transferred Loans will be received and processed by the Master Servicer at different times depending on the applicable receipt channel. See the risk factor titled "*Risk Factors – Assets and Systems Risks – Service providers' and systems' risk – Risks relating to the Master Servicer – Information Delay*" below and the sections titled "*The Transferred Loans*" and "*Servicing and Processing of ICR Loans*" below.

Failure or delay to recover such amounts collected from the Borrowers could have a material adverse effect on the ability of the Issuer to make payments of interest and principal on the Notes.

### ***Estimated Receipts***

If the Master Servicer is unable to record and identify Receipts for any applicable Accounts Period, it will pay Estimated Receipts for such Accounts Period to the Issuer on the applicable MS Payment Date based on the latest available Forecast Model. If the Master Servicer does so in respect of three consecutive MS Payment Dates the Seller may or, at the written direction of the Issuer (as directed by the Note Trustee acting on the instructions of each Class of Noteholder by way of Ordinary Resolution), shall require the Seller to repurchase the Transferred Loans. Any Estimated Receipts may not necessarily accurately reflect the actual Receipts for the applicable Accounts Period and may vary significantly from actual Receipts. In such a case, there might not be sufficient Receipts on any date to repay the Master Servicer for any overpayment made in respect of prior Accounts Periods during which Estimated Receipts were paid.

Furthermore Estimated Receipts for an Accounts Period will be determined by the Master Servicer based on the latest available Forecast Model. The information used to prepare the Forecast Model and the Model Information Package, to the extent that it includes annual forecast assumptions published by the Office for Budget Responsibility ("**OBR**"), is only based on publicly available information. For these purposes the Master Servicer has not and will not use any interim information or information not publicly available even though such information may be available to the Master Servicer in its capacity as Secretary of State. Such events and/or such methodology for preparation of the Forecast Model could lead to significant fluctuation in the amount and timing of payments on the Notes. For further information also see "*Risk Factors – Assets and Systems Risks – Forecast Model and Model Information Package*".

### ***Forecast Model and Model Information Package***

The Issuer shall make available (i) the Forecast Model to the investors and prospective investors in the Notes on the Note Issuance Date and (ii) (subject to provision of this information by the Master Servicer) the Model Information Package to investors and prospective investors in the Notes. The Master Servicer will update the Model Information Package (which includes the Transition Assumptions) on an annual basis on each MS Payment Date. However, the Master Servicer, acting in its sole discretion, may delay the update to the Transition Assumptions to allow the Master Servicer sufficient time to conduct verification and review of the update to the Transition Assumptions. In such cases the Master Servicer may delay delivery of the Model Information Package by up to 14 Business Days following the applicable MS Payment Date.

Furthermore, any failure of the Master Servicer to update the Model Information Package will not constitute a breach of the Master Servicing Agreement.

Investors should note that (1) the Forecast Model and Model Information Package will be provided for information purposes only and without any liability for any direct, indirect or consequential losses (in contract, tort or otherwise) on the part of the Master Servicer and (2) the Master Servicer, acting in its sole discretion, may but shall be under no obligation to, provide any updated Forecast Model to be made available to investors and potential investors in the Notes on the website of the Cash Manager. As with any mathematical model that calculates results from inputs, results may vary significantly according to the values input and assumptions made. Prospective investors should understand the assumptions made in the Model Information Package and evaluate whether they are appropriate for their purposes. Some relevant events or conditions may not have been considered in such assumptions. Actual events or conditions which may affect the performance of the Portfolio may differ materially from these assumptions.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the Forecast Model and the Model Information Package.

### ***Set-off rights***

A Borrower may be owed cash payments by different Crown bodies. Such payments may include for example unpaid unemployment benefit, child benefit or a civil servant's salary. Amounts payable to a Borrower by different Crown bodies will be interchangeable for the purposes of set-off and theoretically a Borrower may seek to exercise rights of set-off against the Seller in respect of its ICR Loan repayments.

To the extent that such rights of set-off exist and could actually be exercised in practice, the transfer of the Transferred Loans to the Issuer should prevent a Borrower from setting off ICR Loan repayments against any counter-claims it has against the Crown that arise after the transfer. A Borrower may, however, be able to exercise equitable or legal set-off of amounts payable by it under a Transferred Loan following transfer to the Issuer against:

- (i) any amounts owed to such Borrower by the Seller (and/or other Crown bodies), provided that the entitlement to such amounts has accrued prior to transfer of the Transferred Loan; or
- (ii) any amounts owed to such Borrower under or in connection with the Loan Agreement by the Issuer, which accrue after transfer of the Transferred Loan.

As a practical matter though, where repayments are collected through the PAYE system and self-assessment, it will be very difficult for Borrowers under Transferred Loans or ICR Loans retained by the Seller to exercise a right of equitable set-off (even if one exists). This is because ICR Loan payments for an employed Borrower will be deducted directly from the Borrower's salary by the Borrower's employer. Furthermore, there is currently no functionality in the PAYE or self-assessment tax systems and applicable forms that would allow Borrowers to exercise a right (or purported right) of set-off. Should that position change, the UK Government would offer the same option of setting-off ICR Loan repayments to Borrowers of the Transferred Loans as offered to Borrowers of ICR Loans retained by the Seller. In addition, the possible operation of mandatory set-off on a Borrower's insolvency is largely excluded by the Repayment Regulations.

Under the Loan Sale Agreement the Seller represents that it holds the absolute legal and beneficial title in and to each Transferred Loan free and clear of any Security Interest, including any right of set-off. A breach of this Loan Warranty may give rise to an obligation for the Seller to repurchase the relevant Transferred Loan under the Loan Sale Agreement. In addition, if the Borrower were to reduce the amount it repays under the Loan Agreement through the exercise of any set-off right, it would lead to an underpayment by the Borrower and the Master Servicer will, in these circumstances, be required to transfer to the Issuer the amount of any Underpayment Amount (including as a result of an underpayment by a Borrower following the exercise of set-off by the Borrower unless the relevant Transferred Loan is to be repurchased pursuant to the Loan Sale Agreement on the next MS Payment

Date as a result of a breach of Loan Warranty) on each MS Payment Date in accordance with the Master Servicing Agreement. See the sections entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement – Repurchase by the Seller for breach of Loan Warranty*" and "*Summary of the Key Transaction Documents – Master Servicing Agreement – Estimated Receipts / overpayments / underpayments*" for further detail.

### **Composition of data**

The data for the Transferred Loans as of the Note Issuance Date will be based on the application of the Eligibility Criteria on the Cut-Off Date and removing from the Provisional Portfolio any ICR Loans that are or have become Excluded Loans as at the Final Extraction Date (the "**Final Extraction Date Portfolio**"). The Portfolio will be randomly selected from the Final Extraction Date Portfolio. The characteristics of the Portfolio, as at the Note Issuance Date, will vary from those set out in the tables in this Prospectus as a result of, among other matters, repayments and voluntary early repayments of loans prior to the Note Issuance Date although all Receipts received since the Cut-Off Date will be transferred to the Issuer.

All representations and warranties given by the Seller in relation to the Portfolio, including the Loan Warranties, will be given only as at the Final Extraction Date (except for paragraph (h) of Schedule 3 to the Loan Sale Agreement, which shall be given as at the Note Issuance Date) whether or not the Seller is aware of further information which would make those representations and warranties incorrect if subsequently repeated.

Neither the Seller nor the Master Servicer has provided any assurance that there will be no material change in the characteristics of the Final Extraction Date Portfolio and the Portfolio, or the characteristics of the Final Extraction Date Portfolio between the Final Extraction Date and the Note Issuance Date.

The Issuer can provide no assurance that there will not be a material change in the characteristics of the Final Extraction Date Portfolio between the Final Extraction Date and the Note Issuance Date.

## **2.2 Service providers' and systems' risk**

### ***Risks relating to the Master Servicer***

#### *Issuer reliance on the Master Servicer*

The Master Servicer has agreed to perform services in relation to the Transferred Loans. In particular, but without limitation, the Master Servicer will agree to service (or arrange for servicing of) the Transferred Loans and make certain representations and warranties.

In the vast majority of cases, receipts under the ICR Loans are made using the UK Tax System (as either PAYE Receipts or Self-Assessment Receipts). There are no independent commercial counterparties that would be able to perform all of the activities currently required to collect and service the Portfolio and the lack of appropriate substitutes could risk a delay in the servicing and collection activities in respect of the Transferred Loans.

Collection of PAYE Receipts relies on employers of Borrowers making the correct deductions for tax (including ICR Loan repayments) and National Insurance from employee's salaries for remittance to HMRC. Employers are required to make repayment deductions from a Borrower's salary in excess of the Repayment Threshold if they have received a "Start Notice" from HMRC or if they employ a Borrower who tells them they are liable to repay an ICR Loan. If an employer fails to perform its obligations in relation to collection of PAYE Receipts this could adversely affect the timing and amount of Receipts paid to the Issuer in respect of the Transferred Loans. The Master Servicer will typically collect 9% of a Borrower's annual earnings in excess of the Repayment Threshold. There are certain circumstances in which more or less than 9% of a Borrower's annual earnings may be collected, including where a Borrower only works for part of the year, has fluctuating income or has multiple employments.

As a result, actual amounts collected may in certain cases differ from expected amounts based on 9% of a Borrower's annual earnings above the Repayment Threshold.

If the Master Servicer failed to perform its obligations under the Master Servicing Agreement to the standard required under the Master Servicing Agreement (see also "*Risk Factors – Service providers' and systems' risk – Risks relating to the Master Servicer - Servicing Standard*" below), the Issuer's only rights against the Master Servicer on the occurrence of a Servicing Event (including, subject to applicable materiality thresholds and grace periods, a breach of the Master Servicing Agreement) will be to agree and implement a Remedial Plan with the Master Servicer and, subject to the terms of the Master Servicing Agreement, receive payment of an indemnity. The Issuer will not have the right to replace the Master Servicer or require the Master Servicer to replace any of its delegates (including the Delegates) or sub-contractors.

In addition to the implementation of a Remedial Plan following the occurrence of a Servicing Event, where the Servicing Event results in the Master Servicer being unable to determine Recorded Receipts for any applicable Accounts Period the Master Servicer may transfer to the Issuer Estimated Receipts for such Accounts Period (and no indemnity would be payable by the Master Servicer under the Master Servicing Agreement). If Estimated Receipts have been paid by the Master Servicer for three consecutive MS Payment Dates, the Seller may or, at the direction of the Issuer (as directed by the Note Trustee acting on the instructions of each Class of Noteholder by way of Ordinary Resolution), shall repurchase all outstanding Transferred Loans in accordance with the Loan Sale Agreement on the MS Payment Date immediately prior to the next succeeding Distribution Date.

There can be no assurance that a Remedial Plan will adequately address any Servicing Event or that, to the extent that an indemnity is payable by the Master Servicer, any indemnity payments will be sufficient to compensate the Issuer in full for any loss suffered. As such, if the Master Servicer failed to perform its obligations under the Master Servicing Agreement, Noteholders may be adversely affected.

#### *Disposal and the Servicing Fee*

Any assignment by the Issuer of its interest in the Transferred Loans to a third party in accordance with the terms of the Loan Sale Agreement is subject to the proviso that the Master Servicer may specify an increased Servicing Fee if the transfer would result in the services being provided to more than one transferee (and provided that any such increased Servicing Fee is directly related to a corresponding rise in costs to the Master Servicer providing the Services to more than one transferee). Accordingly, this could result in a delay to any assignment and a higher Servicing Fee if there is a partial assignment of the Portfolio.

#### *Delegation by Master Servicer and no track record*

In practice, it is anticipated that the Master Servicer will arrange for the collection or loan administration services to be performed by the Delegates who currently undertake the same services in relation to ICR Loans retained by the Seller. The Issuer has no direct contractual relationship with the Delegates.

The Master Servicer and SLC as a Delegate each have very limited experience of providing servicing or collection functions to third parties on commercial terms and HMRC and UKGI as Delegates have no experience of providing servicing or collection functions in relation to ICR Loans to third parties on commercial terms. It is not anticipated or expected that the Master Servicer will or will need to change the standard to which the Services provided in connection with Tax-Related Receipts, the Direct Receipts and the Loan Account Records are delivered to comply with the requirements of the Master Servicing Agreement.

The Master Servicer is not obliged to continue to use the existing Delegates for provision of the Services and may in the future transfer the Master Servicing functions not currently

undertaken by HMRC or SLC from UKGI to another entity which may or may not be part of or wholly owned by Her Majesty's Government.

#### *Servicing Standard*

The Master Servicer will, at all times during the term of the Transaction, provide, either itself or through a Delegate, the relevant Services in accordance with the applicable Servicing Standard. For services which are expected to be performed by HMRC the Servicing Standard will be the same standard of resourcing, performance, care and diligence applied by HMRC in relation to its Income Tax and NI Activities. For services which are expected to be performed by SLC the Servicing Standard will be the same standard of resourcing, performance, care and diligence applied by SLC in relation to ICR Loans which have not been sold and to a standard no worse than that of a Reasonably Prudent Servicer. In relation to all other services the Servicing Standard will be a standard no worse than that expected of a Reasonably Prudent Servicer.

Accordingly, the level of the Servicing Standard may vary from time to time without the consent of the Issuer or the Security Trustee provided that the services to be provided by the Master Servicer, either itself or through a Delegate, continue to follow the standard to which the unsold loans are serviced and, other than in the case of services provided by HMRC, the standard which is no worse than the standard of a Reasonably Prudent Servicer. The Servicing Standard shall be construed in accordance with the disclosures in relation to the collections, servicing and related activities in relation to the ICR Loans made in this Prospectus, to the extent relevant.

Accordingly, the Noteholders are relying on the judgment and practices of the Master Servicer and the Delegates (which may vary over time) when collecting amounts from the Borrowers, including taking decisions with respect to enforcement in respect of the Portfolio and the imposition of any penalties. See the sections titled "*The Transferred Loans*" and "*Servicing and Processing of ICR Loans*" below.

The Repayment Regulations allow the Secretary of State (through SLC) to impose penalties on Borrowers where they have not notified SLC of changes to name and contact details or complied with notices to do so. These penalties could either be added to the outstanding loan amount or collected separately. Additionally, such Borrowers may also be charged the costs and expenses incurred by SLC in serving notices or obtaining the required information. However, it has been the general practice of the Secretary of State and SLC not to levy penalties and only to impose costs or expenses in limited circumstances.

Where Borrowers fail to comply with notices relating to information or penalties, under the Repayment Regulations the Secretary of State (through SLC) could require Borrowers to repay their ICR Loans immediately and in full. However, this right to accelerate loans is only exercised in extremely limited circumstances.

See the risk factor titled "*Risk Factors – Assets and Systems Risks – Service providers' and systems' risk – Matters relating to the ICR Loans and the Portfolio – Overseas Borrowers*" in relation to the imposition of penalties and acceleration of ICR Loans with respect to Overseas Borrowers.

#### *Information delay*

Currently real time data and reporting is not available for the ICR Loans and the verified information available to the Master Servicer, and reported in the Investor Report, in relation to the Portfolio will be aged by at least 16 to 28 months.

Accordingly, there will be a significant time lag between the reporting period to which information on the Portfolio relates and the date of that information being compiled by the Master Servicer and made available to Noteholders. Noteholders should keep this in mind when making any decisions in respect of their acquisition, holding or disposal of Notes.

Whilst it is contemplated that an Interim Collections Report will be made available to the Noteholders on an annual basis, such report will only contain provisional data that have not been verified in any way and therefore will be made available for information purposes only and without any liability for any direct, indirect or consequential losses (in contract, tort or otherwise) on the part of the Master Servicer or the Cash Manager. Any failure by the Master Servicer to make available any Interim Collections Report shall not constitute a Servicing Event or breach of the Master Servicer's obligations under the Master Servicing Agreement. Noteholders should keep this in mind when accessing or reviewing any Interim Collections Report and should not rely on any Interim Collections Report when making any decisions in respect of their acquisition, holding or disposal of the Notes.

#### *Industrial action*

Employees of the Master Servicer and the Delegates are members of trade unions. SLC last encountered short-term industrial action on 10 July 2014 and in the last five years has experienced five days of industrial action with each lasting one day. However, as SLC's processes relating to the collection and processing of ICR Loans are mostly automated the impact of such industrial action on systems, processes and collections was limited.

HMRC last encountered short-term industrial action in August 2014, although action has occurred on more than 10 occasions since January 2011 with an average length of one day. However, as HMRC's involvement in the ICR Loan collection process is mostly automated, there was no noticeable impact on systems, process, customer service or collection.

There can be no assurance that future industrial action by employees of the Master Servicer or its Delegates will not be for longer periods or have a more sustained or significant impact on performance of the Master Servicer's obligations under the Master Servicing Agreement. The Master Servicer will have no liability under the Master Servicing Agreement in relation to industrial action (see "*Risk Factors – Assets and Systems risks – Service providers' and systems' risks – Liability exclusions*").

#### *IT systems*

The Master Servicer and the Delegates use various information technology software and systems and are dependent on these in servicing and collecting the ICR Loans (including the Transferred Loans). These software and systems may fail, may not be adequate for the tasks at hand or may no longer be available, which may negatively impact the amounts collected in relation to the ICR Loans. (See "*Servicing and Processing of ICR Loans – IT Systems – SLC – SLC Interest Issue*").

IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centres. IT systems need regular upgrades and the Master Servicer (and the Delegates) may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned.

It is anticipated that during the term of the Transaction, the Master Servicer will implement a programme of repayment system enhancements involving both HMRC and SLC in order to allow more frequent data transfers from HMRC and SLC. Whilst HMRC already operates 'Real Time Information' reporting for tax receipts, the implementation of the repayment system enhancements will require significant upgrades to SLC's and HMRC's IT systems which, if not implemented correctly or on a timely basis, may adversely impact the Master Servicer's ability to make, identify and report receipts on the ICR Loans (including the Transferred Loans).

One of the key changes in respect of more frequent data transfers may be to the way interest is applied to balances. SLC's current practice is to assume that PAYE repayments are divided into 12 equal monthly instalments based on the annual return it receives from HMRC. Interest then is calculated accordingly. If SLC were able to update balances through more frequent data transfers then the interest rate on ICR loans could also be applied and calculated during the course of each tax year rather than at the end of a period. This would allow SLC to update



balances for when payments are received rather than using the current practice. It should be noted that this change could reduce or increase the amount of interest received compared to the existing approach.

SLC is implementing a programme of upgrades to SLC's Customer Ledger Account Servicing System ("**CLASS**") to ensure its component software and hardware are within warranty and to extend the period of support provided by the manufacturer. An initial phase was successfully completed in December 2015, moving the database onto supported versions. Further work was completed in March 2017, to extend the period of support for the database and ensure that other software is covered by manufacturer warranties.

In the future, the Master Servicer (and the Delegates) may decide to update or replace existing IT systems by rolling out new IT systems. As with any such system changes, implementation issues may arise, which in turn may impact the Servicing KPIs. Any deterioration in performance or any failure to achieve a stated target of any Servicing KPI shall not in itself constitute a Servicing Event.

Furthermore, failure to protect the Master Servicer's (or the Delegates') operations from cyber-attacks could result in the loss or compromise of borrower data or other sensitive information. These threats are increasingly sophisticated and there can be no assurance that the Master Servicer (or the Delegates) will be able to prevent all breaches and other attacks on its IT systems.

#### *Liability exclusions*

The Master Servicer will not be in breach of the Master Servicing Agreement by reason of a Force Majeure Event and will not have liability in respect thereof. Under the Master Servicing Agreement each of the Issuer and the Master Servicer (as applicable) will agree to take all reasonable steps available to it to procure that any Force Majeure Event ceases to exist as soon as practicable.

In addition, the Master Servicer will not be liable for (i) any loss of profits or for any indirect or consequential loss or (ii) any loss suffered or incurred by the Issuer or the Security Trustee as a result of a change in UK tax policy by Government except where the implementation of such tax policy has resulted in a breach of the Master Servicing Agreement which has a Material Adverse Effect and such breach occurs as a result of the negligence of the Master Servicer or the Delegates in the implementation of such tax policy. For the purposes of this paragraph "implementation" of tax policy means all steps that are considered necessary or desirable by HMRC (or any merged or successor entity or transferee of its obligations) in connection with giving effect to a change in the tax law, rules or regulations of the United Kingdom (or any political sub-division thereof or any authority therein or thereof having power to tax) and HMRC's guidance (or the guidance of any merged or successor entity or transferee of its obligations) and interpretation thereof.

If liability for losses arising from certain events or for certain types of losses is excluded under the Master Servicing Agreement and such event occurs or such losses arise, payments to the Noteholders under the Notes may be adversely affected as a consequence.

#### ***Disaster recovery and business continuity***

HMRC and SLC have disaster recovery and business continuity arrangements in place which seek to mitigate the risks resulting from an IT systems issue (see "*Servicing and Processing of ICR Loans – Disaster recovery*" for further details). Although such arrangements are in place there can be no assurance that they will be sufficient to allow the Master Servicer, UKGI, HMRC and SLC to perform their roles in all circumstance. Accordingly, there can be no assurance that such events may not have a material adverse effect on the ability of the Master Servicer service the Transferred Loans or on the data held in relation to the Borrowers and thereby on the Issuer and the Noteholders.

### ***Issuer reliance on third parties***

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Issuer and/or Notes. In particular, but without limitation, the Seller will sell the Transferred Loans to the Issuer and make certain representations and warranties in relation to the Transferred Loans when they are sold; the Corporate Services Provider has agreed to provide certain corporate services to the Issuer, pursuant to the Corporate Services Agreement; the Cash Manager has agreed to provide certain cash management services pursuant to the Cash Management Agreement; the Issuer Account Bank has agreed to provide the Issuer Bank Accounts to the Issuer pursuant to the Issuer Bank Account Agreement; and the Principal Paying Agent, the Registrar and the Calculation Agent have agreed to provide services with respect to the Notes pursuant to the Agency Agreement. If any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in their place promptly thereafter, Noteholders may be adversely affected. In particular, any failure or delay in the delivery of a Servicing Report to the Cash Manager could affect the payment of principal and interest on the Notes and Noteholders acquiring or disposing of an interest in the Notes following any such delay or failure may be adversely affected by any subsequent reconciliations made in accordance with the provisions of the Cash Management Agreement in respect of payments of principal and interest made on the Notes on the basis of estimations made in the absence of a Servicing Report.

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

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Issuer Account Bank) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed by the FCA under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above and set out in the relevant Transaction Documents, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. In addition, it may not be possible to find an entity with the ratings prescribed in the relevant Transaction Documents who would be willing to act in the role. This may reduce amounts available to the Issuer to make payments of interest and principal on the Notes and/or leave to a downgrade in the ratings of the Offered Notes.

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

### ***Certain material interests***

Each of the Arranger, the Agents and the Joint Lead Managers and its respective affiliates has engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Seller, UKGI, HMRC or SLC. In connection with such activities, they are not obliged to take into account the interests of the Issuer and/or the Noteholders, they may act in a manner which is contrary to the interests of the Issuer and/or Noteholders and they may derive revenues and profits from such activities without any duty to account therefor in connection with the transaction.

Nothing in the Transaction Documents shall prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents. In relation to such services, they may derive revenues and profits from such activities without any duty to account therefor in connection with the transaction.

Certain parties to the transaction may perform multiple roles, including the Secretary of State who will act as Seller and Master Servicer. In connection with such roles, the parties will have only those duties and responsibilities expressly agreed to by it in the relevant agreement and will not, by virtue of it or any of its affiliates acting in any other capacity, be deemed to have any other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each agreement to which it is a party.

Accordingly, conflicts of interest may exist or may arise as a result of parties to this Transaction:

- (a) having previously engaged or in the future engaging in transactions with other parties to the transaction;
- (b) having multiple roles in this Transaction; and/or
- (c) carrying out other transactions for third parties.

If such conflicts arise, the Transaction Documents do not require the relevant parties to terminate the arrangements giving rise to such conflicts, the parties thereto are not required to consider the interests of the Noteholders in connection with such arrangements and such parties may act in a manner which is contrary to the interests of the Issuer and/or the Noteholders.

In addition to the interests described in this Prospectus, 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 or have other interests with respect to the Notes and they may also have interests relating to other arrangements with respect to a Noteholder or a Note, 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;
- (c) may purchase all or some of the Notes 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 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 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 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 Joint Lead Managers Related Person is not in possession of such Relevant Information; and
- (v) each Joint Lead Managers Related Person may have various potential and actual conflicts of interest arising in the ordinary course of its businesses, including in respect of the interests described above.

### 3. LEGAL, REGULATORY AND TAX RISK

#### 3.1 Other legal considerations

##### ***Government organisational change***

The structures (including the organisation, staffing and funding), policies and strategies of Government departments and their partner organisations (including the Delegates) can change over time.

A Machinery of Government change is a change by the Prime Minister in the organisation of the executive branch of government and the allocation of functions between ministers. Most recently, a Machinery of Government change announced by the Prime Minister on 13-14 July 2016 moved responsibility for higher and further education, including student finance, from the Secretary of State for Business, Innovation and Skills to the Secretary of State for Education. The Transfer of Functions order came into effect on 9 November 2016. This change had no direct impact on student finance policy, funding or resources. No further structural changes relating to higher and further education have been announced.

There cannot be a guarantee that the structures (including the organisation, staffing and funding), policies and strategies of Government departments (including DfE and HMRC) and their partner organisations (including the SLC and UKGI) will be maintained as they are today. Any changes to such structures, policies and strategies may adversely impact the Master Servicer's ability to service the Transferred Loans.

##### ***Exposure to credit on Her Majesty's Government and commingling***

In relation to Receipts on the Transferred Loans, the Issuer is subject to credit risk on Her Majesty's Government until each MS Payment Date, which fall annually, or (if later in the case of Underpayment Amounts) the MS Payment Date following identification and receipt of an Underpayment Amount. Furthermore, in respect of certain Compensation Events no compensation payments may be made by the Seller to the Issuer until the affected Transferred Loan has been repaid or written-off in full.

Receipts on the Transferred Loans will be used by the Secretary of State until transferred to the Issuer Transaction Account on each MS Payment Date. Receipts on the Transferred Loans will not be held separately from any other funds for the Seller, including receipts for other ICR Loans. The Seller will not pay interest on the cash balance of these receipts.

Furthermore, the Master Servicer may, either due to calculation or processing errors or due to operation of the process for Estimated Receipts, pay fewer receipts to the Issuer than it is entitled to receive on the relevant MS Payment Date.

### ***Change of law***

The structure of the Transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Offered Notes are based on the law and administrative practice in effect as at the date of this Prospectus (and on the UK's current membership of the European Union) as it affects the parties to the Transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice.

In addition, the Government may from time to time introduce, and Parliament may approve, amend or vote down legislative proposals with the intention of introducing new provisions or amending any existing laws, including provisions in higher education legislation (for example, the THEA and the Loan Regulations). Legislative proposals may also be subject to amendments tabled by peers or members of Parliament or new legislative proposals may be introduced by members of Parliament which may be inconsistent with the policy of the Government. The tabling of such amendments or new legislative proposals is not within the control of the Seller and such amendments or new legislative proposals may, in some circumstances, be voted into law.

No assurance can be given as to the impact of any possible change to such law whether as a result of the UK leaving the European Union or otherwise (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes or the ability of the Seller, the Master Servicer, the Issuer or any other Transaction Party to perform its obligations and comply with its representations under the Transaction Documents.

In relation to certain limited changes in law as to which the Seller will offer compensation to the Issuer see the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement – Compensation Payments*" below.

### ***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 (as to which, investors should see further the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Deed of Charge*" for a summary of the Security). If certain insolvency proceedings (e.g. liquidation, administration or company voluntary arrangement) are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

In 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 capital market transactions. While it is anticipated that the requirements of this exception will be met in respect of the Deed of Charge, it should be noted that the Secretary of State may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and
- (b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002) certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes

of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State may by regulation modify these exceptions.

#### *Floating Charge Realisations*

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 re-characterised by the courts as a floating charge as further discussed below), then (i) prior fixed and floating charges, (ii) certain subsequent charges, (iii) the expenses of any administration (where an administrator is appointed), (iv) the claims of preferential creditors, (v) to the extent that such floating charge is not a "financial collateral arrangement" under The Financial Collateral Arrangements (No. 2) Regulations 2003, the claims of unsecured creditors in respect of that "prescribed part" of the company's net property set aside for such purpose pursuant to Section 176A of the Insolvency Act 1986, and (vi) the expenses of any winding-up (where a liquidator is appointed) (including any expenses or costs which were proposed or incurred by a liquidator in connection with legal proceedings duly authorised or approved by one or more "specified creditor(s)" or by the court), to the extent that the assets of the company available for the payment of its general creditors were insufficient to meet such winding-up expenses in full, will rank prior to such floating charge. These matters are more fully explored below.

#### *Recharacterisation of Fixed Charges as Floating Charges*

In certain circumstances, a charge which purports to be taken as a fixed charge may take effect as a floating charge. In particular if the charge holder fails to exercise the requisite degree of control over the assets purported to be charged and the proceeds of such assets, including any bank account into which such proceeds are paid. If the charges take effect as floating charges instead of fixed charges then certain matters, which are given priority over the floating charge by law, will be given priority over the claims of the floating charge holder.

In particular, if on enforcement of the Security the charges take effect as floating charges instead of fixed charges, the interests of the Secured Creditors will rank behind the expenses of any administrative receiver, administrator or liquidator and the claims of preferential creditors. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including claims of UK tax authorities), but certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. To this extent, it should be noted that the Issuer has represented that it has no employees.

#### *Reduction of Floating Charge Realisations by 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 the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of the *Leyland Daf* case applies in respect of all liquidations commenced on or after 6 April 2008.

As a result of the changes described above, which bring the position in a liquidation into line with the position in an administration, upon the enforcement of the floating charge security granted by the Issuer, floating charge realisations which would otherwise be available to satisfy the claims of the Secured Creditors may be reduced by any liquidation or

administration expenses. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

***Reduction of Floating Charge Realisations by the "Prescribed Part"***

Further, section 176A of the Insolvency Act 1986 provide that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's net property available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's "net property" is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder or holders of a floating charge and so refers to floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration.

The "prescribed part" is defined to be an amount equal to 50% of the first £10,000 of floating charge realisations plus 20% of the floating charge realisations thereafter, provided that such amount may not exceed £600,000.

This obligation does not apply if the "net property" is less than a minimum amount and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may apply to court for an order that the provisions of section 176A of the Insolvency Act 1986 should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits.

Therefore, floating charge realisations upon the enforcement of the Deed of Charge granted by the Issuer may be reduced by the operation of these "ring fencing" provisions, up to a maximum of £600,000. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure that the Issuer has no significant creditors other than the Secured Creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

***Enforcement against the Secretary of State***

Any contractual and non-contractual claims against the Secretary of State in relation to the Transaction Documents will be subject to the jurisdiction of the English courts or to arbitration, with seat in London, in accordance with the Rules of the LCIA (formerly the London Court of Arbitration) (as applicable). The only means of enforcing a judgment in civil proceedings or an arbitral award against the Secretary of State is for the successful claimant to apply in accordance with Section 25 of the Crown Proceedings Act 1947 for a certificate containing the particulars of the judgment or arbitral award. If that certificate provides for the payment of damages the Crown Proceedings Act 1947 provides that such amount (subject to appeal) shall be paid by the Crown but prohibits other forms of enforcement (such as seizure of goods or attachment to other assets) and no person shall be individually liable under any order for the payment by the Crown, or any Government department, or any officer of the Crown.

Also, in civil proceedings against the Secretary of State before the English courts, the court has no power to grant an injunction or to make an order for specific performance but may instead make an order declaratory of the rights of the parties (although remedies in judicial review proceedings may include orders requiring the Secretary of State or other public bodies to act, or refrain from acting, in a particular way, see "*Risk Factors – Legal, Regulatory and Tax Risk – Other legal considerations – Judicial Review*").

Accordingly, the way in which the Issuer or the Security Trustee enforces any claims against the Secretary of State under the Transaction Documents will be limited by these rules.

### **Judicial Review**

The Secretary of State, UKGI, HMRC and SLC are public bodies. As such certain of their decisions or actions may be subject to judicial review. Judicial review is the procedure by which the courts examine the decisions of public bodies to ensure that when they are exercising public functions they act lawfully and fairly. The courts of England and Wales have discretion to strike down decisions of public bodies. In exercising such discretion the courts will consider in particular whether public bodies have acted outside the scope of their powers (i.e. are *ultra vires*), whether they have acted reasonably and rationally and in compliance with the Human Rights Act 1998, and whether they have followed a fair process. Applications for judicial review may be made by any party with sufficient interest in the relevant decision.

Depending on the nature of any such challenge, such proceedings, if successful, may have a material adverse effect on the ability of the Master Servicer to service the Transferred Loans and/or the collection of Receipts.

## **3.2 Regulatory changes**

### ***Legal and regulatory developments***

No assurance can be given that changes will not be made to the regulatory regime and developments described above in respect of the student loan market in the United Kingdom generally or specifically in relation to the Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Seller, the Issuer, the Master Servicer and their respective operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

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

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a series 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 are responsible for analysing their own regulatory position and none of the Issuer, the Arranger, the Joint Lead Managers or the Seller makes any representation to any prospective investor or Issuer of the Notes regarding the regulatory capital treatment of their investment in the Notes on the Note Issuance Date or at any time in the future.

In particular, in Europe investors should be aware of the requirements of Articles 404-410 of the CRR. Article 405 of the CRR places an obligation on a credit institution that is subject to the CRD (defined below) which assumes exposure to the credit risk of a securitisation (as defined in Article 3 of the CRR) to ensure that the originator, sponsor or original lender has explicitly disclosed that it will retain a material net economic interest of not less than 5% in the securitisation, and has a thorough understanding of all structural features of a securitisation transaction that would materially impact the performance of their exposures to the transaction. Furthermore, Article 405 of the CRR restricts an EU regulated credit institution from investing in asset-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an on-going basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures as contemplated by Article 405 of the CRR. Failure to comply with one or more of the requirements set out in Article 405 of the CRR will result in the imposition of a penal capital charge on the notes acquired by the relevant investor.

The Seller has made representations and undertakings in relation to the retention of a material net economic interest and provision of information in compliance with the retention rules. In



particular, for so long as Notes are outstanding, the Seller will retain, for the life of the Transaction, such net economic interest through retention of randomly selected "exposures" (i.e. ICR Loans), equivalent to no less than 5% of the nominal amount of the "securitised exposures" (i.e. aggregate principal balance of the Portfolio) at the Note Issuance Date, where such exposures would otherwise have been securitised in the securitisation. The Seller has prepared a table as set out in the section "*Characteristics of the Portfolio*" of this Prospectus with a view to reflect that it complies with Articles 405 - 410 of the CRR. The pool of exposures (being ICR Loans) to be randomly selected and retained by the Seller will have the characteristics set out in the table titled "*Risk Retention according to Article 405 of the CRR, Article 51 of Section 5 of Chapter III of the AIFMR and Article 254 of the Solvency II Regulation as at the Note Issuance Date*" in the section "*Characteristics of the Portfolio*".

Article 406 of the CRR also places an obligation on credit institutions that are subject to the CRD, before investing in a securitisation and thereafter, to analyse, understand and stress test their securitisation positions, and monitor on an on-going basis and in a timely manner performance information on the exposures underlying their securitisation positions. After the Note Issuance Date, the Seller or the Master Servicer will prepare investor reports wherein relevant information with regard to the Transferred Loans will be disclosed publicly together with an overview of the retention of the material net economic interest by the Seller with a view to complying with Article 409 of the CRR.

If the Seller does not comply with its obligations under CRD IV Package, the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market may be adversely affected.

Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with CRD IV Package or Section 5 (as defined below) and none of the Issuer, the Seller, the Corporate Services Provider, the Joint Lead Managers nor the Arranger makes any representation that the information described above is sufficient in all circumstances for such purposes.

Article 405 of the CRR came into force as on 1 January 2014. The European Banking Authority ("**EBA**") published on 17 December 2013 the final draft technical standards to be made under the re-cast risk retention and due diligence requirements which do not largely replicate the previous guidelines published by the Committee of European Banking Supervisors. On 13 March 2014 the European Commission published the final draft of the Delegated Regulation supplementing CRR by way of Regulatory Technical Standards ("**RTS**") specifying the requirements for investor, sponsor, original lenders and originator institutions relating to exposures to transferred credit risk. The final RTS were published in the Official Journal of the European Union on 13 June 2014 and took effect on the 20<sup>th</sup> day thereafter. The final RTS do not differ significantly from the version submitted to the European Commission by the EBA, but there are some key additions and changes. Noteholders should take their own advice and/or seek guidance from their regulator on compliance with, and the application of, the provisions of the CRD IV Package and Article 405 of the CRR in particular.

Investors should also be aware of section 5 of Chapter III of the Commission Delegated Regulation (EU) No 231/2013 implementing the EU Alternative Investment Managers Directive (2011/61/EC) AIFMD ("**Section 5**"), the provisions of Section 5 introduced risk retention and due diligence requirements (which took effect from 22 July 2013) in respect of alternative investment fund managers that are required to become authorized under the EU Alternative Investment Managers Directive – "**AIFMD**" and which assume exposure to the credit risk of a securitisation on behalf of one or more alternative investment funds. While the requirements under Section 5 are similar to those which apply under Article 405 of the CRR et seq. (including in relation to the requirement to disclose to alternative investment fund managers that the originator, sponsor or original lender will retain, on an on-going basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures), they are not identical and, in particular, additional due diligence obligations apply to relevant alternative investment fund managers. Similarly, investors should be aware of

Article 135 of the EU directive on the taking up and pursuit of the business of insurance and reinsurance (2009/138/EC) ("**Solvency II**") which requires the imposition of similar requirements on insurers and reinsurers authorised in the EU.

There can be no guarantee that the regulatory capital treatment of the Notes for investors will not be affected by any future implementation of and changes to the CRD IV Package, Section 5 or other regulatory or accounting changes.

Furthermore as at the date of this Prospectus, there can be no assurance as to the regulatory consequences of the UK leaving the European Union as a result of the UK Referendum see "*Risk Factors – Transaction Structure - EU Membership*" above.

### ***STS - Simple, transparent and standardised securitisation***

On 30 September 2015, as part of its Capital Markets Union Action Plan, the European Commission published legislative proposals for two new regulations related to securitisation. Amongst other things, the proposals include provisions intended to implement the revised securitisation framework developed by Basel Committee on Banking Supervision (the "**CRR Amendment Regulation**") and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors (the "**STS Regulation**"). The STS Regulation also aims to create common foundation criteria for identifying "STS securitisations". There are material differences between the legislative proposals and the current requirements including with respect to the parties that are responsible for ensuring compliance with the retention requirements and the originator entities eligible to retain the required interest. On 26 June 2017, the Council for the European Union published texts of the CRR Amendment Regulation and the STS Regulation on its website which, with minor amendments, were formally adopted by the European Parliament on 26 October 2017 and by the Council of the European Union on 20 November 2017. The texts will then be published in the Official Journal. It is not clear in what form any corresponding technical standards will be adopted. In addition, the compliance position under any adopted revised requirements of transactions entered into, and of activities undertaken by a party (including an investor), prior to adoption is uncertain. It is estimated that the CRR Amendment Regulation and the STS Regulation will be published in the Official Journal and come into force at the end of 2017 or the beginning of 2018 and are expected to be applicable with effect from 1 January 2019. No assurance can be given that the transaction will be designated as an "STS securitisation" under the STS Regulation at any point in the future.

Prospective investors should therefore make themselves aware of the changes and requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Notes. The matters described above and any other changes to the regulation or regulatory treatment of the Notes for the Issuer, the Seller and/or 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.

As at the date of this Prospectus, there can be no assurance as to the regulatory consequences of the UK leaving the European Union as a result of the UK Referendum see "*Risk Factors – Transaction Structure - EU Membership*" above.

### ***Basel III, CRD IV***

The regulatory capital framework published by the Basel Committee on Banking Supervision (the "**Basel Committee**") in 2006 (the "**Basel II framework**") has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework.

The Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as "**Basel III**"), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). The European authorities have introduced the Basel III framework into European law through Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive - "**CRD**") and the 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 and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation - "**CRR**") known as "**CRD IV Package**" which has entered into force in the EU on 1 January 2014. Particularly the CRR has immediate and direct effect, as it does not require to be implemented into national law. Based on Article 460 CRR, on 17 January 2015, the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions (the "**LCR Regulation**") was published in the Official Journal of the European Union. It sets out assumed inflow and outflow rates to better reflect actual experience in times of stress. Further, it defines specific criteria for assets to qualify as high quality liquid assets, the market value of which shall be used by credit institutions for the purposes of calculating its Liquidity Coverage Ratio. As the LCR Regulation is relatively new, the criteria for high quality liquid assets are not entirely consistent with recent market standards and, given the lack of guidance on the interpretation of the LCR Regulation, no assurance can be given whether the Notes qualify as high quality liquid assets and the Issuer makes no representation whether such criteria are met by the Notes. The Liquidity Coverage Ratio under the LCR Regulation became effective on 1 October 2015. The minimum requirement began at 60% and will rise to reach 100% on 1 January 2018. The Net Stable Funding Ratio is expected to come into force as of January 2018. The changes under the CRD IV Package may have an impact on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

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

Investors who are subject to prudential requirements under the Solvency II Regulation should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of holding any of the Notes.

As at the date of this Prospectus, there can be no assurance as to the regulatory consequences of the UK leaving the European Union as a result of the UK Referendum see "*Risk Factors – Transaction Structure - EU Membership*" above.

### **Loan-level disclosure / CRA3**

Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 5013/2011 and by Regulation (EU) No 462/2013 ("**CRA3**") which took effect on 20 June 2013 provides for certain additional disclosure requirements for structured finance instruments. Such disclosures will need to be made via a website to be set up by ESMA. On 26 January 2015, the Commission Delegated Regulation (EU) 2015/3 of 30 September 2014 came into force

containing regulatory technical standards ("**CRA3 RTS**") adopted by the European Commission to implement provisions of CRA3. The CRA3 RTS specify (i) the information that the issuer, originator and sponsor of a structured finance instrument established in the European Union must jointly disclose on the ESMA website, (ii) the frequency with which this information is to be updated and (iii) the presentation of this information by means of standardised disclosure templates for specified assets classes. The CRA3 RTS are applicable with effect from 1 January 2017. However, on 27 April 2016, ESMA announced that it was unlikely that the ESMA website will be available to reporting entities by 1 January 2017. As at the date of this Prospectus, the ESMA website is not available to reporting entities. The CRA3 RTS does not mention student loans explicitly as an asset class and there is no standardised disclosure template which seems to apply to student loans (particularly to income contingent student loans such as the Transferred Loans).

Accordingly, although Borrower-level Data on the Portfolio on an anonymised basis and investor reporting will be made available on the Note Issuance Date and annually on each Distribution Date thereafter to the Noteholders such information will not follow a disclosure template specified in the CRA3 RTS for any asset class nor will the frequency of such information or investor reporting follow that specified in the CRA3 RTS.

If ESMA develops a form of loan-level template applicable to student loans or the Issuer and/or the Seller are instructed to prepare loan-level data on the basis of an existing template there can be no assurance that the Issuer or the Seller will have access to all the information necessary to complete the template in full or with the frequency required. At the date of this Prospectus, there remains uncertainty as to what the consequences would be for the Issuer, related third parties and investors resulting from any potential non-compliance by the Issuer with CRA3 upon application of the reporting obligations.

As at the date of this Prospectus, there can be no assurance as to the regulatory consequences of the UK leaving the European Union as a result of the UK Referendum see "*Risk Factors – Transaction Structure - EU Membership*" above.

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

The U.S. Risk Retention Rules generally require the "securitizer" of a "securitization transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for purposes of the U.S. Risk Retention Rules, and generally prohibit a securitizer from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Risk Retention Rules provide that the securitizer of an asset backed securitisation is its sponsor. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligations that they generally impose.

The transaction will not involve credit risk retention by the Seller for the purposes of the U.S. Risk Retention Rules, but rather will be made in reliance on an exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the securities are issued) of all classes of securities issued in the securitization transaction are sold or transferred to U.S. persons (in each case, as defined in the U.S. Risk Retention Rules) or for the account or benefit of U.S. persons (as defined in the U.S. Risk Retention Rules and referred to in this Prospectus as "**Risk Retention U.S. Persons**"); (3) neither the sponsor nor the issuer of the securitization transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

The offering provides that the Notes may not be purchased by, or for the account or benefit of, Risk Retention U.S. Persons (although the Seller may agree that a portion of the Notes may

be sold to, or for the account or benefit of, Risk Retention U.S. Persons in accordance with the exemption under Section \_\_.20 of the U.S. Risk Retention Rules). Prior to any Notes which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person, the purchaser of such Notes must first disclose to the Seller and the Joint Lead Managers that it is a Risk Retention U.S. Person and obtain the written consent of the Seller. Prospective investors should note that, although the definition of U.S. person in the U.S. Risk Retention Rules is similar to the definition of U.S. person under Regulation S, there are substantive differences between the two definitions. The definition of U.S. person in the U.S. Risk Retention Rules is excerpted below. Particular attention should be paid to clauses (b) and (h)(i), which are different than comparable provisions under Regulation S.

Under the U.S. Risk Retention Rules, and subject to limited exceptions, "U.S. person" means any of the following:

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

Each purchaser of Notes acquired in the initial distribution of the Notes (other than the Placement Agents, the Arranger, the Joint Lead Managers and the Joint Bookrunners), including beneficial interests therein, by its acquisition of the Notes or a beneficial interest therein will be deemed to, and in certain circumstances (including as a condition to placing an order to purchase Notes) will be required to, represent and agree that: (1) it is not a Risk Retention U.S. Person and is not acquiring the Notes (or a beneficial interest therein) for the account or benefit of Risk Retention U.S. Persons, (2) it is not acquiring such Notes (or a beneficial interest therein) with a view to distribution of such Notes, and (3) it is not acquiring such Notes or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules described above). See "*Subscription and Sale – U.S. Risk Retention – Investor Representation*" and "*Risk retention and disclosure*". Notwithstanding the foregoing, the Seller may agree that a portion of the Notes may be sold to, or for the account or benefit of, Risk Retention U.S. Persons in accordance with the exemption under Section \_\_.20 of the U.S. Risk Retention Rules and such Risk Retention U.S. Persons to whom such

Notes are sold, or for whose account or benefit such Notes are sold, will not be deemed or required to make the representations in (1) and (3) above.

None of the Arranger, the Joint Lead Managers, the Joint Bookrunners or any person who controls any of them or any director, officer, employee, agent or affiliate of the Arranger, the Joint Lead Managers or the Joint Bookrunners provide any assurance or assume any responsibility for compliance with the U.S. Risk Retention Rules (including the operation of any exemption therefrom) in connection with the Transaction.

There can be no assurance that the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. In particular, the Seller may not be successful in limiting investment by Risk Retention U.S. Persons to no more than 10 per cent. This may result from misidentification of Risk Retention U.S. Person investors as non-Risk Retention U.S. Person investors, or may result from market movements or other matters that affect the calculation of the 10 per cent. value on the Note Issuance Date.

Failure of the offering to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) could give rise to regulatory action against the Seller which may adversely affect the Notes. Furthermore, the impact of the U.S. Risk Retention Rules on the securitisation market generally is uncertain, and a failure by a transaction to comply with the U.S. Risk Retention Rules could negatively affect the market value and secondary market liquidity of the Notes.

In addition, after the Note Issuance Date, the U.S. Risk Retention Rules may have adverse effects on the Issuer and/or the holders of the Notes. The U.S. Securities and Exchange Commission (the "**SEC**") has indicated in contexts separate from the U.S. Risk Retention Rules that an "offer" and "sale" of securities may arise when amendments to securities are so material as to require holders to make a new "investment decision" with respect to such securities. Thus, if the SEC were to take a similar position with respect to the U.S. Risk Retention Rules, they could apply to future material amendments to the terms of the Notes, to the extent such amendments require investors to make such a new investment decision with respect to the Notes. There can be no assurance that the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions or any other exemption will be available in connection with any such refinancing or amendment occurring after the Note Issuance Date. As a result, the U.S. Risk Retention Rules may adversely affect the Issuer (and the performance, market value or liquidity of the Notes) if the Issuer is unable to undertake any such amendment. Furthermore, no assurance can be given as to whether the U.S. Risk Retention Rules would have any future material adverse effect on the market value or secondary market liquidity of the Notes.

### ***The Volcker Rule***

The Issuer has been structured so as not to constitute a "covered fund" for the purposes of the Volcker Rule. In making this determination, the Issuer is relying on the "loan securitization exclusion" under sub-section 10(c)(8) of the Volcker Rule although other exclusions or exemptions may also be available to the Issuer. The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. Under the Volcker Rule, unless otherwise jointly determined by specified federal regulators, a "covered fund" includes an issuer that would be an "investment company" under the U.S. Investment Company Act of 1940 but for the exclusions contained in Section 3(c)(1) and Section 3(c)(7) of the U.S. Investment Company Act of 1940. The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule.

### 3.3 Tax considerations

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

If, any withholding or deduction for or on account of any Taxes is imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, where the Issuer has or will become obligated to deduct or withhold any amount for, or on account of Tax in respect of payments to Noteholders of any amounts due under the Offered Notes as a result of any change in, or amendment to, any laws or regulations related to Tax which becomes effective on or after the Note Issuance Date, the Issuer will in accordance with Condition 5.5 (*Optional redemption for taxation reasons*) of the Notes use reasonable measures available to it to prevent such an imposition, and may at its option redeem all (but not some only) of the Notes then Outstanding. If such option is exercised by the Issuer, the Notes of all Classes will be redeemed at their respective Redemption Amount. The Loan Sale Agreement however does not include an obligation on the Seller to repurchase the Transferred Loans in case this early redemption option for taxation reasons is exercised by the Issuer. Accordingly the Seller will be under no obligation to repurchase the Portfolio or to support the Issuer in refinancing the Portfolio in such circumstances. The Issuer will therefore need to agree with third parties to fund or acquire the Portfolio in an amount sufficient to pay the Redemption Amount prior to the exercise of such early redemption option. Accordingly, the Issuer may not be able to exercise this early redemption option for taxation reasons and would accordingly continue to be required to withhold or deduct for or on account of any Taxes in respect of payments to Noteholders.

If the early redemption option for taxation reasons is exercised, the early redemption must be exercised in respect of all Classes of Notes and not just the affected Class (or Classes). Accordingly, the Notes of Classes of Noteholders which are not affected by the change would still be subject to early redemption under Condition 5.5 (*Optional redemption for taxation reasons*), if exercised. In order for the early redemption option for taxation reasons to be exercised by the Issuer under Condition 5.5 (*Optional redemption for taxation reasons*), the Issuer will need to obtain the necessary funding to redeem the Notes at the Redemption Amount. Such funding can be obtained through the sale of Transferred Loans, provided that the conditions for such sale of Transferred Loans as set out in the Loan Sale Agreement and Condition 5.5 (*Optional redemption for taxation reasons*) are complied with. Please see the sections of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement – Restrictions on Assignment*" and "*Terms and Conditions of the Notes – Condition 5 (Redemption) – Condition 5.5 (Optional Redemption for taxation reasons)*" below for further detail.

As of the date of this Prospectus, no withholding or deduction for or on account of United Kingdom income tax will be required on interest payments to any holders of the Offered Notes provided that the Offered Notes are and continue to be listed on a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for such purposes, and the Offered Notes will be treated as listed on the London Stock Exchange if the Offered Notes are listed and admitted to trading on the Main Market of the London Stock Exchange.

Payments of interest on the Class X Notes will generally be subject to withholding on account of United Kingdom income tax at the basic rate (currently 20%) unless an exemption applies or an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld). The Issuer shall make payments of interest on the Class X Notes to a Class X Noteholder net of any Tax Deduction, unless the Class X Noteholder has provided the Issuer and the Principal Paying Agent with a Noteholder Tax Certificate (enclosing a copy of the Gross Payment Direction, where applicable) on or before the Tax Record Date and the Principal Paying Agent has confirmed (in accordance with Clause 6.4 (*Certification and Noteholder Tax Certificates*) of the Agency Agreement) that such Noteholder Tax Certificate has been accepted and that interest in respect of the relevant Class X Notes can be paid

without a Tax Deduction on the relevant Distribution Date (provided that none of the other circumstances set out in Clause 5.2(c)(iv) (*Withholding tax*) of the relevant Class X Note Purchase Agreement (or the equivalent provisions of the relevant Class X Note Investor Representation Letter) apply). For the avoidance of doubt, a Noteholder Tax Certificate relates only to the Distribution Date specified therein and a new Noteholder Tax Certificate must be provided on or before each Tax Record Date in relation to the relevant Distribution Date.

### ***Securitisation Company Tax Regime***

The Taxation of Securitisation Companies Regulations 2006 as amended from time to time (the "**TSC Regulations**") deal with the corporation tax position of securitisation companies such as the Issuer with effect for periods of account beginning on or after 1 January 2007.

If the TSC 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 (its "retained profit" as that term is defined by the TSC Regulations) in accordance with the Transaction Documents. Based on advice received, the Issuer expects to be taxed under the special tax regime for which provision is made by the TSC Regulations for so long as it satisfies the conditions of the TSC Regulations.

Prospective Noteholders should note that if the Issuer did not fall to be taxed under the regime provided for by TSC Regulations then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to the Noteholders.

### ***The proposed financial transactions tax***

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's Proposal**") for a financial transaction tax ("**FTT**") to be adopted in certain Participating Member States (including 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.

If the Commission's Proposal were adopted, the FTT would be a tax primarily on "financial institutions" in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments). The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT would 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 financial transaction is issued in a Participating Member State.

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



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

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.

***Stamp duty and SDRT – Class X Notes***

United Kingdom stamp duty or SDRT will be payable on the transfer of the Class X Notes or on any agreement to transfer these Notes. See the section entitled in "*United Kingdom Taxation – Stamp duty and SDRT*" for further detail.

Neither the initial purchase of the Class X Notes by the Class X Note Purchasers from the Placement Agents pursuant to the Class X Note Purchase Agreements nor any other transfer of a Definitive Note representing Class X Notes will be entered on the Register unless and until the Registrar receives a duly stamped transfer in respect of the relevant Class X Notes (such transfer to be stamped by HMRC at the request and cost of (1) in respect of an Initial Transfer, the Issuer and (2) in respect of any other transfer, the transferee). The duly executed Initial Transfers and any duly executed transfer certificate relating to the Class X Notes (in the form endorsed on the Definitive Note representing Class X Notes) will need to be submitted to HMRC for stamping. In accordance with the current practice of HMRC, it may take a number of weeks after payment of the stamp duty and submission of the executed Initial Transfer or transfer certificate (as applicable) for such document to be returned duly stamped by HMRC. Until the relevant Initial Transfer or transfer certificate (as applicable) is duly stamped and returned by HMRC and submitted to the Registrar, the relevant Class X Note Purchaser or transferee (as applicable) will not appear as Class X Noteholder on the Register and will not be able to transfer title to the relevant Class X Note until it is registered as holder of such Class X Note in the Register.

## RISK RETENTION AND DISCLOSURE

### ***EU Risk Retention***

The Seller, as originator, will retain on an on-going basis a material net economic interest of not less than 5% in the securitisation in accordance with the text of Article 405 of the Capital Requirements Regulations (EU) No 575/2013 ("**CRR**"), Article 51 of the Commission Delegated Regulation (EU) No 231/2013 ("**AIFMR**") supplementing the Alternative Investment Fund Manager Directive 2011/61/EU ("**AIFMD**") and Article 254 of Commission Delegated Regulation (EU) 2015/35 ("**Solvency II Regulation**") (which, in each case, does not take into account any implementing rules in a relevant jurisdiction). As at the Note Issuance Date, such interest will in accordance with Article 405 paragraph 1, subparagraph (c) of the CRR, Article 51 paragraph 1, subparagraph (c) of the AIFMR and Article 254, paragraph 2, subparagraph (c) of the Solvency II Regulation be comprised of an interest in randomly selected exposures in accordance with Article 7.1 of the Commission Delegated Regulation (EU) No 625/2014 of 13 March 2014 supplementing the CRR which would otherwise have been securitised in the Transaction effected by the Issuer, equivalent to no less than 5% of the nominal amount of the securitised exposures as required by Article 405 of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Regulation. The Seller will confirm its on-going retention of the material net economic interest described above and any change to the manner in which such material net economic interest is held in each Investor Report.

Pursuant to the Subscription Agreement, the Seller has undertaken for the benefit of the Issuer, the Arranger and the Joint Lead Managers that, for so long as the Notes are Outstanding:

- (a) it shall retain, as originator, on an on-going basis a material net economic interest of not less than 5% in this securitisation transaction (the "**Retained Exposures**") in accordance with Article 405 paragraph 1, subparagraph (c) of the CRR, Article 51 paragraph 1, subparagraph (c) of the AIFMR and Article 254, paragraph 2, subparagraph (c) of the Solvency II Regulation (which, in each case, does not take into account any implementing rules in a relevant jurisdiction). As at the Note Issuance Date, the Retained Exposures are held in accordance with Article 405 paragraph 1, subparagraph (c) of the CRR, Article 51 paragraph 1, subparagraph (c) of the AIFMR and Article 254, paragraph 2, subparagraph (c) of the Solvency II Regulation;
- (b) it will provide to the Master Servicer for inclusion in the Servicing Report the relevant information demonstrating the Seller's compliance with Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation;
- (c) it will not enter into any credit risk mitigation, short position or any other hedge or sale with respect to the Retained Exposures, except to the extent permitted under the CRR, the AIFMR and the Solvency II Regulation;
- (d) it will not change the manner or form in which it retains the Retained Exposures, except as permitted under the CRR, the AIFMR and the Solvency II Regulation in which case it shall report such change through the Servicing Report; and
- (e) it will provide such information as may be reasonably requested by the Security Trustee, the Noteholders, the Issuer, the Joint Lead Managers and the Arranger from time to time in order to enable those persons that are subject to the requirements of Article 405-410 of the CRR, section 5 of Chapter III of the AIFMR or chapter VIII of title I of the Solvency II Regulation to comply with such requirements, subject always to any requirement of law regarding the provision of such information.

A similar undertaking has been given by the Seller to the Issuer and the Security Trustee under the Loan Sale Agreement.

The Seller has, prior to entering into the Loan Sale Agreement, identified the ICR Loans to be included in the Provisional Portfolio. From the Provisional Portfolio, ICR Loans which meet the Eligibility Criteria as at the Cut-Off Date will be randomly selected to comprise the Portfolio (following the

removal of any ICR Loans which as at the Final Extraction Date are or have become Excluded Loans). In addition to the Portfolio, ICR Loans have been randomly selected from the Provisional Portfolio (following the removal of certain ICR Loans as described above) representing no less than 5% of the nominal amount of the Portfolio, which will be held as at the Note Issuance Date by the Seller in compliance with Article 405 paragraph 1, subparagraph (c) of the CRR, Article 51 paragraph 1, subparagraph (c) of the AIFMR and Article 254, paragraph 2, subparagraph (c) of the Solvency II Regulation. All ICR Loans held by the Seller for the purposes of such compliance would have been eligible for the Portfolio had they been randomly selected for inclusion.

For a description of the information to be made available after the Note Issuance Date by the Cash Manager on the Issuer's behalf, please see the summary in relation to the Investor Reports set out in "*Summary of the Key Transaction Documents – Cash Management Agreement*" and in Annex 1 (*Form of Investor Report*). Borrower-level Data in respect of the Transferred Loans on an anonymised basis may be obtained on the following website as at the date of this Prospectus: <https://services.intralinks.com>, and at the following website after the date of this Prospectus: <https://sf.citidirect.com>. These websites and their contents do not form part of this Prospectus.

The Seller has provided a corresponding undertaking with respect to the interest to be retained by the Seller to the Arranger and the Joint Lead Managers in the Subscription Agreement.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Articles 405 – 409 of the CRR, Section 5 of Chapter III of the AIFMR and Article 254 of the Solvency II Regulation and any corresponding national measures which may be relevant and none of the Issuer, the Seller, UKGI, HMRC, SLC, the Note Trustee and Security Trustee, the Arranger, Joint Lead Managers or the Joint Bookrunners 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 Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation 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.

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

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

The offering is made in reliance on an exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions that meet certain requirements. For further information please refer to the Risk Factor entitled "*Risk Factors – Legal, Regulatory and Tax Risk – Regulatory Changes – U.S. Risk Retention*" and "*Subscription and Sale – U.S. Risk Retention – Investor Representation*".

## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### 1. LOAN SALE AGREEMENT

#### 1.1 Background

On the Note Issuance Date, the Issuer will purchase the Portfolio from the Seller in accordance with the Loan Sale Agreement.

To be eligible for sale to the Issuer under the Loan Sale Agreement, the Portfolio and any part thereof will have to satisfy the eligibility criteria set out in "*Eligibility Criteria*" below. Pursuant to the Loan Sale Agreement, the Seller represents and warrants that each Transferred Loan satisfies such Eligibility Criteria as at the Cut-Off Date and was not an Excluded Loan as at the Final Extraction Date.

The Loan Sale Agreement will constitute a "transfer arrangement" pursuant to the Act. Transfer arrangements (as well as any "further transfer arrangements" for any onward transfer of legal rights and obligations originally transferred by the Seller to the Issuer) pursuant to the Act may effect a transfer of rights and obligations under the Transferred Loans without giving notice to, or obtaining consent from, the Borrowers. It is expected that the Secretary of State will, however, procure the notification to the Borrowers within three months of sale of their Transferred Loans, taking reasonable steps to do so, as this is a requirement of the Act. The Issuer will not be required to take any steps to complete or perfect its title to the Transferred Loans and the effectiveness of the transfer is not dependent on notification to the Borrowers.

The sale and transfer of the Transferred Loans pursuant to the Loan Sale Agreement will put the Seller and the Issuer in the same economic position as if such sale and transfer had taken place as at the close of business on the Final Extraction Date, including, for the avoidance of doubt, any Transferred Loans subject to any cancellation, reduction, write-off or balance adjustment in respect of a Transferred Loan which took place between the close of business on the Final Extraction Date and the Note Issuance Date. For the further avoidance of doubt, in relation to any Transferred Loans subject to any cancellation or write-off in full after the Final Extraction Date but before the Note Issuance Date, the Seller shall not be required to transfer such Transferred Loan to the Issuer on the Note Issuance Date, but any Receipts arising from such Transferred Loans will be for the account of the Issuer and shall be dealt with by the Seller and the Master Servicer in the same manner as Receipts in respect of any Transferred Loans being transferred to the Issuer on the Note Issuance Date.

The Seller will sell the Transferred Loans with the benefit of the Outstanding Amount of the Transferred Loans as at a balance date of the Cut-Off Date as recorded on the computer systems operated by the Master Servicer (or its Delegates) as at the Final Extraction Date. The Issuer shall also acquire the Transferred Loans subject to any cancellation, reduction, write-off or balance adjustment in respect of a Transferred Loan which takes place between the close of business on the Final Extraction Date and the Note Issuance Date.

Accordingly, upon payment of the Purchase Price for the Portfolio, the Issuer will acquire the rights and obligations of the Secretary of State to any and all of the Transferred Loans (together with any Receipts which have been received since the Cut-Off Date) in accordance with the Loan Sale Agreement. As a result, the Issuer will have obtained the full economic ownership in the Portfolio, including principal and interest, and is free to transfer or otherwise dispose of the Portfolio, subject only to restrictions in the Loan Sale Agreement (see "*Restrictions on Assignment*" of this section "*Summary of the Key Transaction Documents – Loan Sale Agreement*" below).

The sale and assignment of the Transferred Loans pursuant to the Loan Sale Agreement constitutes a sale without recourse (provided that the Seller shall be liable to the Issuer for all representations, warranties, covenants and indemnities made or entered into by the Seller in or pursuant to the Transaction Documents). This means that the Seller will not bear the risk of the inability or unwillingness of any Borrower to repay the relevant Transferred Loan.

No Excluded Amounts shall be sold or otherwise transferred to the Issuer pursuant to the Loan Sale Agreement and all such amounts shall be retained by the Seller (or for the other entities or agencies of the Government which are entitled to such amounts at law) for its or their own account.

The consideration due to the Seller in respect of the Portfolio will be £1,714,900,677, calculated in accordance with the Loan Sale Agreement.

## 1.2 Eligibility Criteria

As at the Cut-Off Date, the following Eligibility Criteria must have been satisfied by the ICR Loans to be eligible for acquisition by the Issuer pursuant to the Loan Sale Agreement.

An ICR Loan is eligible if it meets the following conditions, as at the Cut-Off Date:

- (a) the ICR Loan has an SRDD between April 2002 and April 2006;
- (b) the ICR Loan is a Plan 1 Loan;
- (c) the ICR Loan was advanced by the Seller (and not by any Devolved Administrations);
- (d) the ICR Loan was made to an Eligible Student domiciled in England;
- (e) the ICR Loan is a Maintenance Loan;
- (f) the ICR Loan was made to a Borrower aged 16 or above as at the date the ICR Loan was first advanced to the Borrower;
- (g) the ICR Loan is not subject to the statutory cancellation rules applicable to ICR Loans from 1 September 2006 for Plan 1 Loans pursuant to which a Borrower's liability to repay is cancelled 25 years after the SRDD; and
- (h) the ICR Loan is not an Excluded Loan and is still in existence.

## 1.3 Excluded Loans

The Excluded Loans are ICR Loans where, as at the Final Extraction Date:

- (a) the Borrower in relation to the ICR Loan has also taken out a Plan 2 Loan;
- (b) the Borrower in relation to the ICR Loan also has or had a loan qualifying for the Repayment of Teachers' Loans Scheme;
- (c) the ICR Loan was in the process of being written off, including where the Borrower had been confirmed as deceased or as having Long Term Disability;
- (d) the Borrower will have reached the age of 65 or above by 31 December 2017;
- (e) the ICR Loan was marked as "incorrectly amalgamated" in CLASS (SLC's customer accounts system) because two distinct Borrowers have incorrectly been linked in a single Borrower record;
- (f) the ICR Loan had been fully repaid or identified by SLC as "full repayment in process";
- (g) the Borrower has not notified SLC that he is an Overseas Borrower and did not have a NiNo Validated;
- (h) the ICR Loan had been flagged by SLC as potentially fraudulent or potentially suspect due to potentially fraudulent activities committed at origination;
- (i) conflicting information is stored by SLC in relation to different customer IDs of a Borrower;

- (j) the duplicate accounts in relation to ICR Loans of the Borrower are merged into one account during remediation and such ICR Loan would otherwise be excluded from the Portfolio;
- (k) the account in relation to the ICR Loans of a Borrower indicates that interest and other charges have only accrued to a date which is earlier than the end of the last completed tax year;
- (l) the ICR Loan has a balance less than £120; or
- (m) the Borrower has no earnings in each year from its latest SRDD to the Cut-Off Date, as recorded in the systems of SLC.

#### 1.4 **Loan Warranties**

The Seller will represent and warrant to the Issuer in the Loan Sale Agreement, among other things, as follows, on a loan-by-loan basis, in respect of ICR Loans comprising the Portfolio on the Note Issuance Date but speaking as at the Final Extraction Date (except for paragraph (h) as indicated therein):

- (a) the data for each ICR Loan specified in the Data Tape are, as at the Final Extraction Date, true, accurate and complete in all material respects;
- (b) each Transferred Loan was, as at the Final Extraction Date, randomly selected by the Seller from ICR Loans that satisfy the Eligibility Criteria;
- (c) each Transferred Loan complied with the Eligibility Criteria as at the Cut-Off Date, and was not an Excluded Loan at the Final Extraction Date;
- (d) each Loan Agreement was made by the Seller in accordance with the Loan Regulations unless such non-compliance would not reasonably be expected to have Material Adverse Effect;
- (e) if the Seller has made more than one ICR Loan to a Borrower, all such ICR Loans complying with the Eligibility Criteria are included in the Portfolio;
- (f) each Loan Agreement constitutes the legal, valid, binding and enforceable obligations of the Borrower (including the obligation to pay the full amount of the aggregate current balance of that Transferred Loan as set out in the Data Tape) in accordance with its terms and the governing law;
- (g) no Loan Agreement is a regulated agreement under the Consumer Credit Act 1974;
- (h) as at the Note Issuance Date, immediately prior to the sale under the Loan Sale Agreement (and in relation to any Transferred Loans subject to any cancellation or write-off in full between the close of business on the Final Extraction Date and the Note Issuance Date, as at the Final Extraction Date), the Seller holds, and the Seller or another Secretary of State of Her Majesty's Government have been the only holders of, absolute legal and beneficial title in and to each Transferred Loan free and clear of any Security Interest;
- (i) none of the Loan Agreements contains any obligation to make further advances or to permit redrawings;
- (j) each Transferred Loan is freely transferable and no approvals, consents or other steps are necessary to permit a legal transfer of the Transferred Loans;
- (k) each Transferred Loan has been administered, in all material respects in accordance with the Loan Regulations;

- (l) each Transferred Loan is denominated in Sterling and all amounts in respect of such Transferred Loan are payable solely in Sterling and each Loan Agreement is governed by English law;
- (m) the Seller has, since the making of any Transferred Loan, kept, in all material respects (or has procured the keeping of) accounts, books and records showing clearly all transactions, payments, receipts (if any), proceedings and notices relating to such Transferred Loans. All material information relating to the financial terms and conditions, credit, charges, fees, payment history, customer enquiries and receipt history which is known and available to the Seller relating to each ICR Loan is contained in the Loan Account Records and the Loan Account Records are complete and up-to-date in all material respects and they are held by or to the order of the Seller;
- (n) so far as it is aware neither the Seller nor any of its agents has received written notice of any litigation, claim, dispute or complaint (in each case, subsisting, threatened or pending) calling into question in any material way its title to any Transferred Loan or their ability to fully and effectively enforce the same; and
- (o) the information listed in the email identified in the Loan Sale Agreement correctly specifies the ICR Loans which are to be transferred to the Issuer on the Note Issuance Date and, together with the Seller's computer records, contains sufficient information to enable the Seller to identify such ICR Loans and the details of the ICR Loans contained in such email are true and accurate in all material respects.

#### 1.5 **Seller Warranties**

On the date of the Loan Sale Agreement the Seller will make the following representations and warranties to the Issuer and the Security Trustee with reference to the facts and circumstances then subsisting.

- (a) The Seller has the requisite power, capacity and authority to transfer the Transferred Loans, enter into, and has taken all necessary action to authorise its entry into and performance of, the Loan Sale Agreement and the other Transaction Documents to which it is a party and to undertake and perform the obligations expressed to be assumed by it therein.
- (b) The Seller has duly executed the Loan Sale Agreement and the other Transaction Documents to which it is a party.
- (c) The transfer of the Transferred Loans and the execution and delivery of, and the compliance by the Seller with the terms of, the Loan Sale Agreement and the other Transaction Documents to which it is a party:
  - (i) do not contravene any relevant existing law, rule or regulation applying to or affecting the Transaction or the Seller; and
  - (ii) do not conflict with, or result in a breach of, any of the terms or provisions of, or constitute a default under, the powers of the Seller or any judgment or order of any court having jurisdiction over the Seller or result in a breach of any of the terms or provisions of, or constitute a default under, any deed, agreement or other instrument or obligation to which the Seller is a party or by which the Seller or any part of its assets, property or revenues are bound which would have a material adverse effect on its ability to perform its obligations under the Loan Sale Agreement.
- (d) It has all authorisations, approvals, licences and consents required:

- (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations under the Loan Sale Agreement and the other Transaction Documents to which it is a party; and
  - (ii) to make the Transaction Documents to which it is a party admissible in evidence in England.
- (e) The Loan Sale Agreement constitutes the valid and legally binding obligations of the Seller enforceable in accordance with its terms.

#### 1.6 **Repurchase by the Seller for breach of Loan Warranty**

The Seller will agree in the Loan Sale Agreement to repurchase any of the Transferred Loans sold by it to the Issuer in the circumstances described in this section.

No later than 45 calendar days prior to each MS Payment Date, the Seller shall, to the extent that the Responsible Person is aware, notify the Issuer and the Security Trustee of:

- (a) any breach of a Loan Warranty; and
- (b) any other event or fact which may reasonably give rise to an obligation in accordance with the Loan Sale Agreement to repurchase any Transferred Loan (or to make a payment in relation to a Non-Existent Loan).

Such notification shall be provided in writing or by email.

If:

- (i) there is a breach of any of the Loan Warranties in respect of any Transferred Loan or if any of those Loan Warranties proves to have been untrue when made by the Seller; and
- (ii) such breach or untruth, if it was capable of remedy, is not remedied to the satisfaction of the Issuer or, following the service of an Acceleration Notice, the Security Trustee, no later than 15 Business Days prior to the MS Payment Date following any notice provided as set out above,

then the Seller shall send a Loan Repurchase Notice no later than 5 Business Days prior to such MS Payment Date to the Issuer or, following the service of an Acceleration Notice, the Security Trustee. Such Loan Repurchase Notice shall include details of the Transferred Loans to be repurchased and/or any Non-Existent Loans in respect of which payment is to be made.

On the MS Payment Date following the date of receipt of a Loan Repurchase Notice, the Seller shall in respect of the Transferred Loans identified in such Loan Repurchase Notice:

- (i) repurchase the relevant Transferred Loan(s) that are not Non-Existent Loan(s) from the Issuer by paying the Repurchase Price to the Issuer Transaction Account (or as the Issuer shall otherwise direct);
- (ii) pay an amount equal to the Repurchase Price for the Transferred Loan(s) that are Non-Existent Loan(s) to the Issuer Transaction Account (or as the Issuer shall otherwise direct).

Upon payment of the Repurchase Price, the Issuer will, in respect of Transferred Loans being repurchased, re-transfer and re-convey to the Seller, free from the Security Interests created by the Deed of Charge, the relevant Transferred Loan(s) and will promptly upon such payment execute and deliver to the Seller (to such place as the Seller shall reasonably direct, subject to the Seller indemnifying the Issuer against any costs associated therewith) any document the Seller may reasonably specify to give effect to such repurchase.



The Repurchase Period Receipt Amount in respect of the Transferred Loans included in a Loan Repurchase Notice will be for the account of the Seller and will to the extent already transferred to the Issuer be required to be repaid by the Issuer to the Seller on the Distribution Date next following the MS Payment Date on which the Repurchase Price for such Transferred Loans is to be paid. Any amounts so repayable shall be set off against any payment due to the Issuer of the Repurchase Price in respect of the relevant Transferred Loans included in such Loan Repurchase Notice.

Without prejudice to any rights of the Issuer under the Loan Sale Agreement to require the repurchase by the Seller of any Transferred Loan following a breach of any Loan Warranty, the Seller will only actively monitor compliance with the Loan Warranties on an annual basis for a period of three years from the Note Issuance Date.

#### 1.7 **Repurchase; UK Tax System**

If the Master Servicer ceases to collect repayments for all the Transferred Loans (excluding receipts in relation to Overseas Borrowers and those receipts which Borrowers have voluntarily moved to direct debit or another method of receipt) through the UK Tax System, the Seller must give notice of the occurrence of such event to the Issuer and the Seller shall repurchase all outstanding Transferred Loans held by the Issuer for the Repurchase Price. The Seller shall advise the Issuer of its intention to repurchase all outstanding Transferred Loans, as a result of this repurchase obligation arising, at least 30 calendar days' prior to the Early Redemption Date. For the avoidance of doubt the requirement to repurchase the Transferred Loans for the cessation of repayments referred to above shall not apply to circumstances where a Transferred Loan is cancelled or written-off in whole or in part in which case, if applicable, Compensation Payments may be due to the Issuer.

Completion of such repurchase shall take place on the MS Payment Date immediately prior to the Early Redemption Date (which shall be a Distribution Date). In such circumstance the Issuer shall apply the Repurchase Price in redemption of the Notes pursuant to and subject to the further conditions specified in Condition 5.4 (*Early redemption; UK Tax System or CCA Event*) and the other conditions thereto being satisfied.

The consideration payable for such a repurchase will be equal to the Repurchase Price.

#### 1.8 **Repurchase; Issuer optional redemption events**

If the Issuer elects, or is directed by the Note Trustee acting on the instructions of the Senior Class then Outstanding, to redeem all (but not some only) of the Notes in accordance with Condition 5.6 (*Redemption for indexation reasons*), the Seller shall, on receipt of written notice of the Issuer, repurchase all outstanding Transferred Loans held by the Issuer for the Repurchase Price.

The Issuer shall give at least 30 days' prior written notice to the Seller if it elects, or is directed, to redeem all (but not some only) of the Notes in accordance with Condition 5.6 (*Redemption for indexation reasons*). Completion of such repurchase shall take place on the MS Payment Date immediately prior to the date specified in the notice of redemption in accordance with Condition 5.6 (*Redemption for indexation reasons*) (which shall be a Distribution Date).

The Issuer shall apply the Repurchase Price in redemption of the Notes pursuant to Condition 5.6 (*Redemption for indexation reasons*) (as applicable).

#### 1.9 **Repurchase; Estimated Receipts**

If Estimated Receipts have been transferred by the Master Servicer to the Issuer for three consecutive MS Payment Dates then the Seller may, or on the written direction of the Issuer (as directed by the Note Trustee acting on the instructions of each Class of Noteholder by way of Ordinary Resolution), shall, by giving notice at least 90 days prior to the next following MS

Payment Date, repurchase all outstanding Transferred Loans held by the Issuer on such MS Payment Date for the Repurchase Price.

If no such direction is given by the Issuer prior to the MS Payment Date referred to above, the Issuer (as directed by the Note Trustee acting on the instructions of each Class of Noteholder by way of Ordinary Resolution) shall be entitled to direct the Seller to repurchase all outstanding Transferred Loans on any subsequent MS Payment Date provided that (i) the Issuer has given the Seller at least 90 days' prior written notice; and (ii) the Master Servicer is continuing to make payment of Estimated Receipts.

#### 1.10 **Repurchase; Fees Shortfall**

If the Seller is notified by the Cash Manager that a Fees Shortfall will occur on the immediately following Distribution Date, such notification to be provided within three Business Days of the relevant Servicing Reporting Date, the Seller will have the option under the Loan Sale Agreement (the "**Fees Shortfall Repurchase Option**") to repurchase all outstanding Transferred Loans held by the Issuer for a price equal to £1 by giving written notice to the Issuer, the Security Trustee and Note Trustee, unless the Senior Class Funding Conditions are satisfied.

Completion of such repurchase shall take place on the date notified by the Seller (such date to occur no later than four Business Days prior to the Distribution Date to which the Fees Shortfall relates) when the Seller shall pay to the Issuer Transaction Account (or as the Issuer shall otherwise direct) the repurchase price of £1.

The Seller will not be permitted to exercise the Fees Shortfall Repurchase Option if both of the following conditions (the "**Senior Class Funding Conditions**") are satisfied:

- (a) the Noteholders of the Senior Class advance or procure the advance to the Issuer of cleared funds in an amount at least equal to the Fees Shortfall (a "**Fees Shortfall Loan**"); and
- (b) the Noteholders of the Senior Class do not pass an Extraordinary Resolution vetoing the Issuer entering into the proposed Fees Shortfall Loan,

in each case, no later than six Business Days prior to the Distribution Date to which the Fees Shortfall relates. The occurrence of the Senior Class Funding Conditions shall be notified forthwith by the Issuer to the Seller.

The Fees Shortfall Loan will be documented under an agreed form of loan agreement scheduled to the Loan Sale Agreement. The terms of the Fees Shortfall Loan Agreement will include the following:

- (a) the Fees Shortfall Loan shall be used as Available Receipts by the Issuer for the purpose of paying the Fees Shortfall in accordance with the applicable Priority of Payments on the Distribution Date following the date on which the Fees Shortfall Loan is borrowed;
- (b) the repayment of the Fees Shortfall Loan will be subject to the applicable Priority of Payments and any amounts so repaid may not be re-borrowed by the Issuer;
- (c) all payments to be made under the Fees Shortfall Loan Agreement without deduction or withholding for or on account of any taxes, save as required by applicable law (or pursuant to FATCA), in which case they shall be made net of any such required deduction or withholding;
- (d) the Issuer shall make payments of interest, fees and other amounts and repayments of all or any part of the principal amount borrowed under the Fees Shortfall Loan (including any capitalised interest) on each Distribution Date if, and to the extent that there are Available Receipts or amounts available therefor after making the payments

and provisions of a higher priority in the applicable Priority of Payments until such Fees Shortfall Loan (including any default interest capitalised and any accrued but unpaid interest thereon) has been fully repaid;

- (e) save as provided in paragraph (d) above, the Issuer may not prepay or repay the whole or any part of the Fees Shortfall Loan prior to the Maturity Date;
- (f) each Fees Shortfall Lender agrees with the Issuer and the Security Trustee to be bound by the terms of the Deed of Charge and the Master Definitions and Construction Agreement (which includes limited recourse and non petition provisions) and in particular, no sum, whether in respect of principal or otherwise, relating to the Fees Shortfall Loan will be payable by the Issuer except in accordance with the relevant Priority of Payments unless and until all sums thereby required to be paid or provided for in priority have been paid, provided for or discharged in full; and
- (g) the provider of the Fees Shortfall Loan may be any or all of the Noteholders of the Senior Class or any other third party (other than parties listed on the Excluded List) and will represent that it is not listed on the Excluded List.

#### 1.11 **Repurchase; Teacher Forgiveness Event**

If a Teacher Forgiveness Event has occurred, the Seller shall, by giving at least 30 days prior written notice to the Issuer, repurchase all outstanding Transferred Loans held by the Issuer which are Teacher Forgiveness Loans for the Repurchase Price.

Completion of such repurchase shall take place on the MS Payment Date immediately following the date on which the Seller has given notice of repurchase as described above. If the notice of repurchase is given on a date less than 30 days prior to an MS Payment Date, then the completion of such repurchase shall take place on the next MS Payment Date immediately following such MS Payment Date.

#### 1.12 **Repurchase; CCA Event**

If a CCA Event has occurred, the Seller may at its option, by giving at least 30 days prior written notice to the Issuer, repurchase all outstanding Transferred Loans held by the Issuer for the Repurchase Price.

Completion of such repurchase shall take place on the MS Payment Date immediately prior to the Early Redemption Date (which shall be a Distribution Date). In such circumstance the Issuer shall apply the Repurchase Price in redemption of the Notes pursuant to and subject to the further conditions specified in Condition 5.4 (*Early redemption; UK Tax System or CCA Event*) and the other conditions thereto being satisfied.

#### 1.13 **Compensation Payments**

Key aspects of the Transferred Loans (such as interest rate, its method of calculation, Repayment Threshold and Repayment Rate) are set out in the Loan Regulations. The Seller will retain control over these and other terms of the Transferred Loans. Under the Loan Sale Agreement, the Seller will agree not to make amendments to the terms of the Transferred Loans which constitute a Compensation Event (other than a CCA Change or a Loan Cancellation Amendment) (i) unless it pays the applicable Compensation Payment to the Issuer (or agrees to make such payment when due in accordance with the terms of the Loan Sale Agreement) or the circumstances set out in "*Compensation Books*" relating to non-compliant Borrowers or employers apply; (ii) provided such amendment does not render the Transferred Loans invalid or unenforceable (unless such Transferred Loan is cancelled or written-off in full as a result of the Compensation Event) and (iii) for the avoidance of doubt, unless such amendment is made by amending or supplementing the Loan Regulations. This undertaking by the Seller shall constitute an irrevocable undertaking of the Seller pursuant to section 2(5) of the SSLA. For the avoidance of doubt, the Seller shall otherwise be permitted

to amend the terms of the Transferred Loans in accordance with the Loan Regulations provided that such amendment does not render them invalid or unenforceable (unless such Transferred Loan is cancelled or written-off in full as a result of the Compensation Event).

In addition, if a CCA Change or a Loan Cancellation Amendment occurs the Seller will pay the applicable Compensation Payment to the Issuer (or agrees to make such payment when due in accordance with the terms of the Loan Sale Agreement).

Compensation Payments are only intended to protect the Issuer against the net negative impact on cash flows of changes to the terms of the Transferred Loans as a consequence of a Compensation Event.

For the avoidance of doubt, no Compensation Payment will be made by the Seller in respect of a repayment that would not have actually been made by the Borrower if the Compensation Event had not occurred. Nothing in the Loan Sale Agreement shall constitute a guarantee or similar obligation by the Seller in respect of any Transferred Loan.

Only the Compensation Events set out below shall give rise to the obligation of the Seller to make a Compensation Payment. If any Transferred Loans are repurchased by the Seller, no further Compensation Payments or other amounts shall be payable by the Seller in respect of such Transferred Loans.

The provisions of the Loan Sale Agreement relating to the making of Compensation Payments following the occurrence of a Compensation Event as further described below shall constitute arrangements for the Seller to pay compensation pursuant to section 2(4) of the SSLA.

### **Compensation Events**

Each of the following shall be a "**Compensation Event**":

- (a) if the calculation of interest on any Transferred Loan (including, for the avoidance of doubt, the method used to calculate the Interest Rate Cap or if the Secretary of State decides not to floor the rate of interest payable on the Transferred Loans at 0%) set out in the Loan Regulations is amended by the Secretary of State (an "**Interest Rate Amendment**") resulting in a reduction in the rate of interest payable on such Transferred Loan (for the avoidance of doubt, the general annual resetting of the rate of interest payable on ICR Loans shall not constitute an Interest Rate Amendment);
- (b) if the Repayment Threshold and/or the Repayment Rate on any Transferred Loan is amended by the Secretary of State pursuant to the Loan Regulations (a "**Repayment Profile Amendment**") resulting in an increase in the Repayment Threshold and/or a reduction in the Repayment Rate on any Transferred Loan provided that the annual increase in the Repayment Threshold in-line with increases in RPI (or any successor or substitute inflation index, as applicable) shall not constitute a Repayment Profile Amendment;
- (c) if (i) the Loan Write-Off Date in respect of a Transferred Loan is amended by the Secretary of State pursuant to the Loan Regulations (the "**Loan Write-Off Date Amendment**") resulting in some or all of the amounts outstanding in respect of such Transferred Loan being written-off earlier than it would have been written-off prior to the amendment or (ii) pursuant to primary legislation a Transferred Loan is otherwise written-off or cancelled in whole or in part earlier than its original Loan Write-Off Date (the "**Loan Cancellation Amendment**");
- (d) if the Secretary of State makes any amendments (other than those referred to in (a), (b) and (c) above) to the terms of the Transferred Loans set out in the Repayment Regulations and such amendment has a Material Adverse Effect, for the avoidance of doubt, when considered in relation to the entire Portfolio (an "**Other Terms Amendment**"); and

- (e) if there is a change in law or regulation as a result of which the Transferred Loans are agreements regulated by the CCA and/or FSMA and the Low Interest Exemption is not available in respect of the Transferred Loans and such change in law or regulation has a Material Adverse Effect (a "**CCA Change**"),

provided that:

- (i) no Compensation Event shall occur in relation to any change to the interest accrual amounts on student loan balances following the introduction of more frequent data sharing which results in student loan repayments being applied against balances on or around the time when the repayment is made by the Borrower rather than being applied retrospectively by SLC in 12 equal monthly instalments as is the practice at the date of the Loan Sale Agreement;
- (ii) no Compensation Event shall occur in relation to any change to the terms of the Transferred Loans set out in the Repayment Regulations in relation to the allocation of voluntary repayments between Plan 1 Loans and Plan 2 Loans (or equivalent or replacement student loans offered by the Government from time to time); and
- (iii) no Compensation Event shall occur in relation to the occurrence of a Teacher Forgiveness Event.

For the avoidance of doubt only the Compensation Events set out above shall give rise to the obligation of the Seller to make a Compensation Payment and no compensation payment or other amounts will be payable by the Seller as a result of any other changes to the terms of the Transferred Loans.

#### **Compensation Books**

If a Compensation Event occurs, the Master Servicer shall, in accordance with the terms of the Master Servicing Agreement, maintain a compensation book relating to such Compensation Event to record the balances which would have been outstanding under each Transferred Loan had the relevant Compensation Event not occurred (the "**Compensation Book**"). The Compensation Book shall be used to help determine the compensation payable by the Seller from time to time. For the avoidance of doubt, if there are multiple Compensation Events this will result in separate Compensation Books relating to each specific Compensation Event being maintained by the Master Servicer at any time together with a single Net Compensation Book that will record the balances under each Transferred Loan assuming that none of the Compensation Events had occurred.

If there are multiple changes to the Loan Regulations: (i) that have an impact during the same Accounts Period or (ii) where the effect of such changes on the Affected Loans overlap at any point, the impact of these individual changes may potentially offset each other. For example, an increase in the Repayment Rate followed by an increase in the Repayment Threshold will have an offsetting impact on the relevant Borrower repayments and therefore the Net Compensation Book. Accordingly, the Compensation Payment will net off the effect of these changes against each other and where multiple Compensation Events have occurred the compensation payable to the Issuer may not necessarily be an aggregate of the Compensation Payments that would have been due in respect of such individual applicable Compensation Event. In these circumstances, the Net Compensation Book shall be used to help determine the Compensation Payments.

The Master Servicer will also maintain a Customer Book to record actual balances for the Affected Loans. The Customer Book will be used by the Master Servicer to record amounts actually owed by Borrowers under the Affected Loans.

For the avoidance of doubt, the information which is necessary to calculate Compensation Payments would primarily include Borrower income or earnings data. At present, the UK Tax

System is the primary source for collection of such data from Borrowers. As such, if a Borrower (or its employer) fails to provide this information, the Borrower (or its employer) could be in breach of its wider tax-related obligations to HMRC. If, due to the failure of any Borrower or their employer to provide information to the Master Servicer (or its Delegates), information is not available to the Master Servicer to maintain the entries in the Customer Book and/or the Compensation Book in relation to such Borrower there shall be no requirement to maintain or update the entries in the Customer Book and/or the Compensation Book in respect of such Borrower until such time as such information is available. No Compensation Payments shall be payable by the Seller in relation to such Borrowers until such time as the entries in the Customer Book and/or the Compensation Book can be maintained or updated. On the MS Payment Date following the Servicer Reporting Date on which the Master Servicer has sufficient information from such a Borrower (or their employer) to maintain or update the entries in the Customer Book and/or the Compensation Book in relation to such Borrower, the Master Servicer shall, to the extent possible, determine the Compensation Payment then due to include compensation that would have been due on any prior MS Payment Date but for the failure of the Borrower (or their employer) to provide the necessary information to the Master Servicer (or its Delegate). References in this paragraph to the Compensation Book shall include the Net Compensation Book if applicable.

If in relation to an Overseas Borrower information is not available to maintain the entries in the Compensation Book in relation to such Borrower due to the Borrower's Transferred Loan being repaid or cancelled or being subject to a Loan Write-Off Date Amendment or Loan Cancellation Amendment then the Master Servicer shall maintain the Compensation Book on the basis of reasonable assumptions about the performance of such Transferred Loan, the earnings growth and longevity of such Borrower and any other factors that the Master Servicer considers necessary to maintain a Compensation Book in such circumstances. The Seller shall only be required to make Compensation Payments in relation to such Overseas Borrowers on such basis. References in this paragraph to the Compensation Book shall include the Net Compensation Book if applicable.

#### ***Interest Rate Amendment***

The Compensation Payment in respect of an Interest Rate Amendment will be made to the Issuer on each MS Payment Date following the date when the relevant Affected Loan is repaid in full (as recorded in the Customer Book) or written off (the "**Loan Maturity Date**").

In the case of an Interest Rate Amendment, the Compensation Payment will be equal to the Recorded Receipts that would have been paid on each Affected Loan had the Interest Rate Amendment not been made (as recorded in the Compensation Book) from the Loan Maturity Date to the earlier of the date on which:

- (a) the Affected Loan is repaid in full (as recorded in the Compensation Book); and
- (b) the balance of the Affected Loan (as recorded in the Compensation Book) is written-off due to the Loan Write-Off Date being reached.

For the avoidance of doubt, a Compensation Payment (calculated in the manner described above) will be payable by the Seller if the Secretary of State decides not to floor the rate of interest payable on the Transferred Loans at 0% in circumstances where RPI would result in a negative rate of interest on the Transferred Loans.

#### ***Repayment Profile Amendment***

A Repayment Profile Amendment resulting in an increase in the Repayment Threshold and/or a reduction in the Repayment Rate may cause the Affected Loan(s) to cease being in repayment or will reduce Recorded Receipts in a particular year which will result in a slower repayment profile and an extension in the term of the Affected Loan(s).

The Compensation Book in respect of a Repayment Profile Amendment will track the repayment profile of the Affected Loans had there been no change in either the Repayment Threshold or the Repayment Rate.

In the case of a Repayment Profile Amendment, the Compensation Payment will be equal to the greater of zero and the amount by which:

- (a) the amount of Recorded Receipts that would have been paid on each Affected Loan during the relevant Accounts Period had the Repayment Profile Amendment not been made (as recorded in the Compensation Book),

exceeds

- (b) the Recorded Receipts actually paid on that Affected Loan during the relevant Accounts Period (as recorded in the Customer Book). For the avoidance of doubt, this amount may be zero if, following a Repayment Profile Amendment resulting in an increase in the Repayment Threshold a Borrower's income falls below the Repayment Threshold (used for calculating the Compensation Book) in which case there will be no repayments in the Customer Book.

In instances where an increase in the Repayment Threshold (used for calculating repayments in the Customer Book) results in a Borrower under an Affected Loan no longer being required to make repayments, Recorded Receipts that would have been paid will be determined by the Seller, in its capacity as the Master Servicer on the basis of such Borrower's relevant reported income.

The Compensation Payment in respect of a Repayment Profile Amendment will be made to the Issuer on each MS Payment Date following such Repayment Profile Amendment.

If the outstanding balance of the Affected Loan as recorded in the Compensation Book has been reduced to zero and the Affected Loan has an Outstanding Amount greater than zero as recorded in the Customer Book, then no further Compensation Payments will be payable by the Seller. Any Receipts received in respect of the Affected Loans from such date will constitute Excess Customer Book Repayments, will be for the account of the Seller and shall be retained by the Seller.

The Compensation Book in respect of a Repayment Profile Amendment will track the repayment profile of the Affected Loans had there been no change in either the Repayment Threshold or the Repayment Rate.

#### ***Loan Write-Off Date Amendment***

Following a Loan Write-Off Date Amendment resulting in some or all of the amounts outstanding in respect of a Transferred Loan being written-off earlier than it would have been written-off prior to the amendment, the Seller shall be required to make a Compensation Payment to the Issuer to compensate the Issuer for the repayments that it would have received under the Affected Loan(s) had the Loan Write-Off Date Amendment not occurred.

In the case of a Loan Write-Off Date Amendment, the Compensation Payment will be equal to the Recorded Receipts that would have been paid on each Affected Loan during the relevant Accounts Period had the Loan Write-Off Date Amendment not occurred (as recorded in the Compensation Book) between:

- (a) the new Loan Write-Off Date following the Loan Write-Off Date Amendment; and
- (b) the earlier of the original Loan Write-Off Date prior to the Loan Write-Off Date Amendment and the date on which the Affected Loan has been repaid in full.

Such Compensation Payment will be made to the Issuer on each MS Payment Date following the new Loan Write-Off Date.

### ***Loan Cancellation Amendment***

Following a Loan Cancellation Amendment resulting in some or all of the amounts outstanding in respect of a Transferred Loan being written-off or cancelled earlier than it would have been written-off or cancelled prior to the amendment, the Seller shall be required to make a Compensation Payment to the Issuer to compensate the Issuer for the repayments that it would have received under the Affected Loan(s) had the Loan Cancellation Amendment not occurred.

In the case of a Loan Cancellation Amendment, the Compensation Payment will be equal to the Recorded Receipts that would have been paid on each Affected Loan during the relevant Accounts Period had the Loan Cancellation Amendment not occurred (as recorded in the Compensation Book) between:

- (a) the new Loan Write-Off Date following the Loan Cancellation Amendment; and
- (b) the earlier of the original Loan Write-Off Date prior to the Loan Cancellation Amendment and the date on which the Affected Loan has been repaid in full.

Such Compensation Payment will be made to the Issuer on each MS Payment Date following the new Loan Write-Off Date.

### ***Other Terms Amendment or CCA Change***

Following the occurrence of an Other Terms Amendment or a CCA Change, the Seller shall promptly notify the Issuer and the Security Trustee thereof.

In the case of an Other Terms Amendment or a CCA Change, the mechanism for determination of the Compensation Payment will be determined, on a reasonable commercial basis, by the Seller following the occurrence of the Other Terms Amendment or a CCA Change and notified by the Seller to the Issuer and Security Trustee. The Compensation Payment will be an amount (determined by the Seller on a reasonable commercial basis) that compensates the Issuer and Noteholders for repayments that would have been received under the Affected Loan(s) had the relevant Other Terms Amendment or CCA Change not occurred.

In determining the mechanism for calculating such Compensation Payments the Seller shall seek to ensure that, so far as possible, by the Seller acting in a reasonable commercial manner, the overall payments received by the Issuer in respect of the Affected Loan(s), taking into account payments made by the Borrower(s) and any proposed Compensation Payment from the Seller, reflect (to a material extent) the payments that would have been made by the Borrower if the relevant Other Terms Amendment or CCA Change had not been made. In determining the Compensation Payments in relation to a CCA Change the Seller shall take into account any remediation steps it proposes to take in relation to application of CCA to the Transferred Loans.

If any Transferred Loans are repurchased by the Seller, no further Compensation Payments shall be payable by the Seller in respect of such Transferred Loans.

## **1.14 Restrictions on Assignment**

Any assignment or transfer of the Transferred Loans by the Issuer (other than to the Seller in connection with any repurchase pursuant to the Loan Sale Agreement) will be subject to provisions of the Transaction Documents (including the Deed of Charge) and the other conditions set out in the Loan Sale Agreement including that (a) the Issuer gives at least one month's prior written notice of such assignment or transfer to the Seller, the Note Trustee, the Rating Agencies and the Noteholders, (b) the assignment or transfer, including the price payable in respect of such assignment or transfer by the relevant assignee or transferee (as the case may be), is approved by the Noteholders of each Class of Notes acting by way of Ordinary Resolution or, in case of an assignment or transfer to fund the exercise of the early



redemption option under Condition 5.5 (*Optional redemption for taxation reasons*), by the Noteholders of each Class of the Offered Notes acting by way of Ordinary Resolution, (c) the Master Servicer may specify an increased Servicing Fee if the assignment or transfer would result in servicing being provided to more than one transferee (provided that any such increased Servicing Fee is directly related to a corresponding rise in costs to the Master Servicer in providing the Services to more than one transferee) or would otherwise result in an increase in costs for the Master Servicer, and (d) the transferee agrees to be bound by the terms of the Loan Sale Agreement and the Master Servicing Agreement (as may be amended from time to time) provided that the Seller shall be entitled to apply such limitations on its liability as it considers reasonable to any such transferee. For the avoidance of doubt, paragraph (b) above shall not apply to any action taken by or on behalf of the Security Trustee or any Receiver or at the direction of any such party following delivery of an Acceleration Notice in accordance with Condition 12 (*Events of Default*).

#### 1.15 **Withholding**

All payments to be made under the Loan Sale Agreement shall be made without withholding or deduction from or on account of any tax, unless required by law (or pursuant to FATCA), in which case they shall be made net of any such required withholding or deduction.

#### 1.16 **Governing law**

English law. Disputes under the Loan Sale Agreement will be subject to arbitration, with seat in London, in accordance with the Rules of the LCIA (formerly the London Court of Arbitration).

### 2. **MASTER SERVICING AGREEMENT**

#### 2.1 **Background**

The parties to the Master Servicing Agreement will be the Issuer, the Security Trustee and the Master Servicer.

On or about the Note Issuance Date, the Secretary of State (in such capacity, as the Master Servicer) will be appointed by the Issuer under the Master Servicing Agreement as its agent to service the Transferred Loans that it has sold to the Issuer in its capacity as Seller.

The Master Servicer's actions in the servicing of the Transferred Loans in accordance with its procedures and the Master Servicing Agreement are binding on the Issuer.

#### 2.2 **Sub-contracting**

Subject to certain conditions specified in the Master Servicing Agreement, the Master Servicer may, at any time without notice to, or consent from the Issuer, the Security Trustee or any other party, delegate, sub-contract or make arrangement for the performance of all or any of its powers and obligations under the Master Servicing Agreement; provided that no such delegation, sub-contracting or other arrangements will, among other things, release or discharge the Master Servicer from any liability under the Master Servicing Agreement, the Master Servicer will remain responsible for the performance of all of the obligations of the Master Servicer under the Master Servicing Agreement and the Master Servicer will be solely responsible for the fees costs, charges or expenses of any such delegate (including the Delegates) or sub-contractor.

As at the date of the Master Servicing Agreement, the Master Servicer will be relying on the Delegates in the performance of certain of the Services and the Master Servicer may change such Delegates and/or the duties performed by them without notice to, or consent from, the Issuer, the Security Trustee or any other party provided that the Master Servicer shall notify the other parties to the Master Servicing Agreement promptly upon any change to the identity of the Delegates.

For the avoidance of doubt the Delegates will not be liable to the Issuer or any other party for any failure (howsoever arising) on the part of the Master Servicer to perform the Services.

### 2.3 Powers

During the continuance of its appointment under the Master Servicing Agreement, the Master Servicer will have, upon the terms and subject to the conditions of the Master Servicing Agreement, the full power, authority and right to do or cause to be done any and all things which the Master Servicer reasonably considers necessary, convenient or incidental to the servicing, collection and administration of the Transferred Loans or the exercise of the rights, powers, duties and discretions under the Master Servicing Agreement and the performance of its other duties and obligations under the Master Servicing Agreement.

### 2.4 Master Servicer general duties

Pursuant to the Master Servicing Agreement, the Master Servicer shall be responsible for servicing the Transferred Loans sold to the Issuer, for collecting both Tax-Related Receipts and Direct Receipts, reporting and calculations and undertaking services in relation to changes to Loan Terms (the "**Services**") as set out below.

### 2.5 Tax-Related Receipts

The Services set out below shall be undertaken with the same standard of resourcing, performance, care and diligence applied by HMRC in relation to its Income Tax and NI Activities.

In practice, it is anticipated that HMRC will undertake the Services in respect of collections through its statutory functions in relation to the UK Tax System for the Master Servicer (although the Issuer will have no recourse, directly or indirectly, to HMRC).

- (a) **Receipts (commencement and on-going)** – In respect of each Matched Borrower (subject to paragraph (f) below), the Master Servicer shall act as collection agent for such Transferred Loans by way of either PAYE Receipts or Self-Assessment Receipts to the extent that such Matched Borrower is earning above the applicable Repayment Threshold for a Transferred Loan provided that, if the Borrower's Transferred Loan has 23 months or less until it is expected to be repaid in full the Master Servicer (or SLC as Delegate) may make arrangements for receipts to be collected as Direct Receipts;
- (b) **Processing (PAYE)** – Upon receiving the employer's FPS Return for the previous tax year in respect of a Matched Borrower (or other applicable form of return used by employers under the UK Tax System at that time), the Master Servicer will process the data from time to time to determine how much was due to be collected by the employer for that Borrower for the applicable period;
- (c) **Processing (self-assessment)** – Upon receiving a Self-Assessment tax return (if applicable) or any other equivalent process then in place in respect of a Borrower's assessment to UK income tax, the Master Servicer will process the return from time to time to determine how much is due from the relevant Borrower for the applicable period;
- (d) **Receipts (recommencement)** – If a Borrower recommences making payments that constitute PAYE Receipts or Self-Assessment Receipts, the Master Servicer shall take steps to identify such Borrower as a Matched Borrower and, to the extent that the Matched Borrower is earning above the applicable Repayment Threshold for a Transferred Loan (but subject to paragraph (f) below and excluding any Transferred Loan with an Outstanding Amount of £120 or less), recommence collection of repayments under the Transferred Loan through the UK Tax System;

(e) **Compliance**

- (i) Subject to the other provisions of the Master Servicing Agreement and as soon as practicable once the Master Servicer (or any Delegate) has become aware that the Borrower's ICR Loan repayments have not been included in the employer's FPS Return (or any other applicable form of return used by employers under the UK Tax System at that time), the Master Servicer will contact the employer to seek to bring the Borrower into repayment in accordance with paragraph (a) above (*Receipts (commencement and on-going)*).
  - (ii) Subject to the other provisions of the Master Servicing Agreement, the Master Servicer will assess Self-Assessment tax returns (or any other equivalent process then applicable to self-assessment Borrowers) received by it in relation to each Borrower under the Transferred Loans to ensure, in each case, that there are no material discrepancies between the information relevant to repayment of the Transferred Loans the Borrower has provided in the Self-Assessment tax return (or any other equivalent process then applicable to self-assessment Borrowers) compared to the Loan Account Records or other information maintained by the Master Servicer (or HMRC) in respect of that Borrower; and
- (f) **Multiple Employment** – If a Borrower has multiple sources of income which are all subject to collection through PAYE, which in aggregate would exceed the applicable Repayment Threshold for a Transferred Loan but do not individually exceed such Repayment Threshold, pursuant to the Loan Regulations, no collections will be required to be made by the Master Servicer pursuant to paragraphs (a) or (d) (above).

2.6 **Direct Receipts and Loan Account Records**

The Services set out below shall be undertaken with the same standard of resourcing, performance, care and diligence applied by SLC in relation to ICR Loans which are owned by the Master Servicer and to a standard no worse than that of a Reasonably Prudent Servicer.

In practice, it is anticipated that SLC will undertake the Services in respect of Direct Receipts and Loan Account Records for the Master Servicer (although the Issuer will have no recourse, directly or indirectly, to SLC).

- (a) **Found/identified Borrowers moving overseas** – If a Borrower informs the Master Servicer that he no longer has a United Kingdom income or is no longer subject to an obligation to pay UK income tax on his United Kingdom income as a result of such Borrower ceasing to be resident in the United Kingdom for tax purposes, the Master Servicer shall request income information from the Borrower, seek to verify such income information and, if the Borrower is earning above the Repayment Threshold applicable to that Borrower's jurisdiction of tax residency and the Transferred Loan does not have an Outstanding Amount of £120 or less, request the Borrower makes repayments in regular instalments or a lump sum repayment in respect of the Transferred Loan in accordance with the then applicable Loan Regulations;
- (b) **Receipts** – If a Borrower makes a repayment that constitutes a Direct Receipt in respect of a Transferred Loan, the Master Servicer shall act as collection agent for such Direct Receipts in respect of such Transferred Loan;
- (c) **Records** – The Master Servicer shall keep safe (or procure are kept safe) and shall use all reasonable endeavours to maintain Loan Account Records to the extent they are available, complete and in its possession or control on the Note Issuance Date (including back-ups of any computer tapes, discs and data) and shall maintain in a complete readable form or otherwise Loan Account Records to the extent they are available in relation to each Transferred Loan, for the purposes of identifying amounts

paid by each Borrower, any amount due from a Borrower, the balance from time to time outstanding on a Borrower's account and shall, from time to time, prepare statements of account for each Borrower provided it is acknowledged that the Master Servicer does not necessarily have available to it the loan declarations in respect of each Transferred Loan;

- (d) **Further transfers** – As soon as practicable upon notice from the Issuer of the same, the Master Servicer shall use its reasonable endeavours to notify the relevant Borrowers on behalf of the Issuer of the further transfer of any Transferred Loans pursuant to Further Transfer Arrangements;
- (e) **Credit Balances** – On an annual basis the Master Servicer will identify all Transferred Loans that have a credit balance or zero balance and report such Transferred Loan as having a zero balance in the Servicing Report regardless of any future adjustments to the related Loan Account Record. Any further Receipts in respect of such Transferred Loan will be retained by the Master Servicer for its own account for settlement with the Transferred Borrower and will not be paid to the Issuer;
- (f) **Reminders** – The Master Servicer shall prepare and deliver to the Transferred Borrowers statements of account on an annual basis or at such other times at its discretion but consistent with the Loan Regulations;
- (g) **Enforcement** – Subject to the other provisions of the Master Servicing Agreement and as soon as practicable once the Master Servicer (or any Delegate) has become aware of any default by a Borrower under a Transferred Loan, the Master Servicer shall take such steps as are in accordance with the Servicing Standard to recover all sums due by such Borrower under the related Transferred Loan. It should be noted that:
  - (i) in respect of defaults on Transferred Loans subject to collection outside the UK Tax System, it is not generally the Master Servicer's standard practice to pursue or levy fines on Borrowers or accelerate the debt owed; and
  - (ii) the Master Servicer does not actively pursue collections in respect of Transferred Loans which have an Outstanding Amount of £120 or less.

The parties to the Master Servicing Agreement acknowledge that for the Master Servicer to undertake the actions referred to in paragraph (i) and (ii) above would not be consistent with servicing the Transferred Loans in a manner consistent with the standard of a Reasonably Prudent Servicer within the context of the Transferred Loans.

- (h) **Loan Write-Offs** – The Master Servicer shall record on its systems certain Transferred Loans as written-off in accordance with the Loan Regulations and SLC's Working Procedures. In particular, where the costs of recovery will be more than the Outstanding Amount of a Transferred Loan to be recovered including where the Outstanding Amount is of a trivial amount (which, as at the date of the Master Servicing Agreement, is regarded as £25 however this amount may be amended in the future in line with SLC's cost of recoveries) the Master Servicer may, at its discretion record a Borrower's loan balance as written-off. If a repayment is subsequently received from a Borrower in respect of a Transferred Loan that has been recorded as written off, such repayment will be credited to the relevant Borrower's loan balance and for the avoidance of doubt, such repayment shall form part of Receipts;
- (i) **Sterling** – Borrowers are expected to make all repayments under their ICR Loans in Sterling and to pay the costs of any currency conversion. To the extent that a Borrower makes a repayment in a currency other than Sterling the Master Servicer may convert any such amounts received from a Borrower into Sterling at the then

prevailing spot rate of exchange determined by the Master Servicer (in its sole discretion) and may add any costs, fees and expenses of such conversion to the Outstanding Amount of such Borrower's Transferred Loan in accordance with its Working Procedures; and

- (j) **Information Notices and Penalty Notices** – The Master Servicer shall deliver information notices and penalty notices to Borrowers on behalf of the Issuer in accordance with the Repayment Regulations and the Master Servicer's (or applicable Delegate's) Working Procedures.

## 2.7 Reporting and calculations

The Services set out below shall be undertaken by the Master Servicer to a standard no worse than that of a Reasonably Prudent Servicer.

In practice, it is anticipated that UKGI will initially undertake the Services in respect of reporting and calculations although HMRC and SLC will provide information for reporting (in item (a) and (c) below) and determining overpayment/underpayments (in item (f) below).

- (a) **Servicing Report** – The Master Servicer will prepare a Servicing Report for each Distribution Date in respect of the related Accounts Period. The Servicing Report will contain a link to publicly available performance data published by SLC on SLC's website for so long as SLC is a Delegate and such information, which may relate to all ICR Loans serviced by SLC rather than just the Transferred Loans, is maintained on SLC's website, or otherwise a link to publicly available performance data published by the relevant Delegate on such Delegate's website (which may be different from the information published by SLC). On each Servicing Reporting Date, the Master Servicer will deliver such Servicing Report to the Cash Manager.
- (b) **KPIs** – The Servicing Report will include information on the Servicing KPIs in respect of the immediately preceding calendar year. For the avoidance of doubt such information is provided by the Master Servicer for information purposes only and do not form part of the Services or the Servicing Standard. Any deterioration in performance or any failure to achieve a stated target of any Servicing KPI shall not in itself constitute a Servicing Event. The Servicing KPIs may be updated from time to time by the Master Servicer to reflect the then current Servicing KPIs agreed between the Master Servicer and the Delegates. The Servicing KPIs to be included in the Servicing Report shall be updated from the next following Distribution Date to reflect the then current Servicing KPIs.
- (c) **Interim Collections Report** – The Master Servicer shall prepare an annual Interim Collections Report as of the Interim Collections Report Extraction Date. On each Interim Collections Reporting Date, the Master Servicer will deliver such report to the Cash Manager, provided that such Interim Collections Report will be provided for information purposes only and without any liability for any direct, indirect or consequential losses (in contract, tort or otherwise) on the part of the Master Servicer, although any failure to do so shall not constitute a Servicing Event or breach of the Master Servicer's obligations under the Master Servicing Agreement.
- (d) **Borrower-Level Data** – On the Note Issuance Date and each Servicing Reporting Date the Master Servicer will provide the most recent reconciled Borrower-level Data in relation to the Portfolio which is available to SLC and which incorporates data from the most recent Receipts Period on an anonymised basis to the Cash Manager in the form of template used by the Master Servicer on the Note Issuance Date or such other form as may be required to comply with the requirements of the Article 8b Requirements to the extent possible based on the information then currently available to the Master Servicer.

- (e) **MS Payment Date** – The Master Servicer shall identify and pay Recorded Receipts in respect of the relevant Accounts Period to the Issuer Transaction Account on each MS Payment Date.
- (f) **Overpayments / underpayments / True-Up** – The Master Servicer shall determine the amount of any correction required as a consequence of any Overpayment Amounts or Underpayment Amounts being determined in accordance with the provisions of 2.13 (*Estimated Receipts / overpayments / underpayments*) below and shall notify the Cash Manager of any such correction.
- (g) **Forecast Model and Model Information Package** – The Master Servicer:
  - (i) shall on the Note Issuance Date provide the then current Forecast Model to the Cash Manager; and
  - (ii) shall on each MS Payment Date provide the Model Information Package to the Cash Manager,

in each case, for information purposes only and without any liability for any direct, indirect or consequential losses (in contract, tort or otherwise) on the part of the Master Servicer, provided that (1) if the Master Servicer, acting in its sole discretion, deems that additional time is required in order to allow the Master Servicer sufficient time to conduct a verification and review of the update to the Transition Assumptions and make any required, related changes to the Forecast Model, the Model Information Package shall be provided to the Cash Manager no later than 14 Business Days following the applicable MS Payment Date, and (2) any failure to provide an updated Forecast Model or the Model Information Package to the Cash Manager shall not constitute a Servicing Event or breach of the Master Servicer's obligations under the Master Servicing Agreement. Additionally, the Master Servicer, acting in its sole discretion, may, but shall be under no obligation to, at any time after the Note Issuance Date, provide any updated Forecast Model to the Cash Manager for distribution in accordance with the Cash Management Agreement.

- (h) **Determination of the Index Rate** – The Master Servicer shall make all calculations and determinations in respect of the Index Rate as required of it under Condition 4.7 (*Additional indexation provisions*) and shall give notices of such determinations to the Issuer as set out in the Conditions, with a copy of such notices to the Calculation Agent, the Cash Manager, the Issuer and the Note Trustee.
- (i) **Unpublished or unannounced RPI** – The Master Servicer shall promptly advise the Calculation Agent, the Cash Manager, the Issuer and the Note Trustee if a level for RPI has not been published or announced for three consecutive months of March or the Index Provider has announced that it will no longer continue to publish or announce RPI, and the Master Servicer shall, in consultation with the Indexation Adviser, determine a successor inflation index prior to the next Determination Date to the extent practicable. In case no such successor inflation index can be determined by the Master Servicer before the next Determination Date, it shall notify the Calculation Agent, the Cash Manager, the Issuer and the Note Trustee, and the RPI used for the last determination of the Index Rate shall be used for the purposes of the next Determination Date.
- (j) **Fees Shortfall** – On or before the Servicing Reporting Date the Master Servicer shall determine, on the basis of the Forecast Model, whether a Fees Shortfall is projected to occur on the next Distribution Date and the Master Servicer shall notify the Issuer, the Cash Manager and the Note Trustee in writing if it determines that a Fees Shortfall is projected to occur.
- (k) **Repurchases** – The Master Servicer shall include in the Servicing Report prepared for a Distribution Date the amount of payments received from the Seller in respect of

any repurchase of an ICR Loan (whether following a breach of Loan Warranty or otherwise) since the last Distribution Date.

## 2.8 **Changes to Loan Terms**

The Services set out below shall be undertaken by the Master Servicer to a standard no worse than that of a Reasonably Prudent Servicer.

In practice, it is anticipated that UKGI will initially undertake the Services in respect of changes to Loan Terms, although SLC will need to maintain the Compensation Books and the Net Compensation Book (in item (b) below).

- (a) **Compensation** – The Master Servicer shall:
- (i) on each Determination Date, calculate any Compensation Payments due to the Issuer under the Loan Sale Agreement;
  - (ii) notify the Issuer and its agents of any such Compensation Payments due under the Loan Sale Agreement;
  - (iii) on each Determination Date, calculate amounts due to the Seller under the Loan Sale Agreement in respect of Excess Customer Book Repayments; and
- (b) **Compensation Books** – The Master Servicer must, after the occurrence of a Compensation Event, maintain the Customer Book and the Compensation Books and, after the occurrence of multiple Compensation Events, the Net Compensation Book and take such other steps as are specified in order to calculate the compensation payments under the Loan Sale Agreement.

For the avoidance of doubt, the provision of the Services set out in this paragraph 2.8 by the Master Servicer shall be subject to the terms of the Loan Sale Agreement and there shall be no requirement on the Master Servicer to maintain or update the Customer Book, the Compensation Books or the Net Compensation Book (as applicable) to the extent this is not required under the Loan Sale Agreement. To the extent the Master Servicer is required to maintain the Compensation Books or the Net Compensation Book (as applicable) under the Loan Sale Agreement and maintains such Compensation Books or the Net Compensation Book (as applicable) in accordance with the Loan Sale Agreement, it shall provide a copy of such Compensation Books or the Net Compensation Book (as applicable) to the Cash Manager on the next Servicing Reporting Date together with information about the mechanics and determinations (to the extent required under the Loan Sale Agreement) used to calculate the Compensation Payments under the Loan Sale Agreement, provided that such copy of the Compensation Books or Net Compensation Book (as applicable) shall be aggregated up to borrower level and will be provided on an anonymised basis by the Master Servicer before being passed to the Cash Manager.

## 2.9 **Servicing Standard**

The Master Servicer will at all times prior to termination of the Master Servicing Agreement provide the relevant Services in accordance with the applicable Servicing Standard.

The "**Servicing Standard**" will be:

- (a) with respect to the Services to be provided in connection with Tax-Related Receipts, the same standard of resourcing, performance, care and diligence applied by HMRC in relation to its Income Tax and NI Activities; and
- (b) with respect to the Services to be provided in connection with Direct Receipts and Loan Account Records, the same standard of resourcing, performance, care and diligence applied by SLC in relation to ICR Loans which are owned by the Master

Servicer and to a standard no worse than that of a Reasonably Prudent Servicer;  
and

- (c) with respect to all other Services to be provided by the Master Servicer other than those referred to in (a) and (b) above, a standard no worse than that of a Reasonably Prudent Servicer.

For the avoidance of doubt, the Servicing Standard may vary from time to time without the consent of the Issuer and the Security Trustee provided that the Master Servicer shall at all times provide the Services to at least the same standard to which it services ICR Loans not comprised in the Portfolio and, other than in the case of the Services provided in connection with Tax-Related Receipts, to a standard no worse than that of a Reasonably Prudent Servicer. The Servicing Standard shall be construed in accordance with the disclosures in relation to the collections, servicing and related activities in relation to the ICR Loans made in this Prospectus, to the extent relevant.

## 2.10 Servicing KPIs

See "*Servicing and Processing of ICR Loans*" for a summary of the Servicing KPIs.

## 2.11 Undertakings by the Master Servicer

The Master Servicer will undertake, in relation to the Transferred Loans that the Seller has sold to the Issuer, among other things, that it will:

- (a) notify the Issuer of any actual or pending litigation or judgments against it, any Delegate or in relation to the Transferred Loans promptly upon becoming aware of the same, which has or could reasonably be expected to have a Material Adverse Effect, provided that in the case of litigation against any Delegate, the Master Servicer will be deemed to be aware of the same to the extent that a Responsible Person of the Master Servicer has actual knowledge of the same;
- (b) notify the Issuer and the Security Trustee of any Servicing Event promptly upon a Responsible Person of the Master Servicer becoming aware of the same and, unless such Servicing Event has been already notified to the Issuer and the Security Trustee and has not been cured, provide a compliance certificate to the Issuer and Security Trustee on each Servicing Reporting Date certifying:
  - (i) that no Servicing Event has occurred; or
  - (ii) if one has occurred, that the relevant Servicing Event has been cured on or before the Longstop Date;
- (c) notify the Issuer promptly upon becoming aware that:
  - (i) any of the information relating to the Transferred Loans is materially incorrect or misleading; or
  - (ii) any of the Transferred Loans were not Eligible ICR Loans as at the Cut-Off Date or the Final Extraction Date (as applicable);
- (d) comply in all material respects with all laws, rules and regulations in relation to the Transferred Loans;
- (e) maintain accurate records, in the case of data held by the Master Servicer directly or by SLC (or any Delegate undertaking equivalent activities) on its behalf, that identify that the Transferred Loans have been sold to the Issuer;
- (f) use reasonable endeavours to obtain and keep all required licences, approvals, registrations, authorisations and consents which are necessary in connection with



the performance of the Services and procure that any of its agents (including the Delegates) obtains and maintains any such licence;

- (g) exercise such skill, care and diligence as is required for the proper performance of the Services and its obligations under the Master Servicing Agreement;
- (h) excluding, for the avoidance of doubt, amendments made in accordance with Clause 2.9 (*Rights retained by the Secretary of State*) of the Loan Sale Agreement, not amend, impair or write off Transferred Loans other than in accordance with the Loan Regulations or the Master Servicer's (or the applicable Delegate's) Working Procedures;
- (i) apply interest and other charges to the Transferred Loans in accordance with the Loan Regulations or the Master Servicer's (or the applicable Delegate's) Working Procedures and, for the purposes of maintaining the Loan Account Records, treat payments as received in relation to the Transferred Loans in accordance with the Repayment Regulations and the Master Servicer's (or applicable Delegate's) Working Procedures; and
- (j) ensure that it has in place arrangements with the Delegates pursuant to which the Delegates will be required to notify the Responsible Person of the Master Servicer of:
  - (i) the occurrence of a Servicing Event;
  - (ii) any actual or pending litigation or judgments against the Master Servicer, any Delegate or in relation to the Transferred Loans which has or could reasonably be expected to have a Material Adverse Effect;
  - (iii) any breach of a Loan Warranty; or
  - (iv) any other event or fact which may reasonably give rise to an obligation under Clause 8.5 (*Repurchase; Breach of Loan Warranties*) of the Loan Sale Agreement to repurchase any Transferred Loan (or to make a payment in relation to a Non-Existent Loan),

in each case promptly upon becoming aware of the same.

## 2.12 Remittance of Receipts

The Master Servicer will pay to the Issuer on an annual basis on each MS Payment Date, all Receipts on the Portfolio recorded as received by the Master Servicer (whether in its capacity as Master Servicer, as the Seller or otherwise) during the applicable Accounts Period (as determined on the applicable Nil Return Sweep Date in the calendar year following the end of such Accounts Period) prior to such MS Payment Date and not previously paid into the Issuer Transaction Account. In the interim the Master Servicer shall retain such Receipts and may use them for its own account and shall be entitled to retain any interest accrued but unpaid thereon. The Master Servicer shall be under no obligation to hold such amounts on a segregated basis.

## 2.13 Estimated Receipts / overpayments / underpayments

The Master Servicer will pay Receipts to the Issuer on the basis of the Recorded Receipts. Subject to 2.19 (*Estimated Receipts*) below if the Master Servicer is unable to determine the Recorded Receipts for any applicable Accounts Period (or part thereof) (an "**MS Calculation Event**") it shall transfer to the Issuer the Estimated Receipts for such Accounts Period, determined based on the Forecast Model. As soon as practicable after the Master Servicer is able to determine the Recorded Receipts it shall perform a True-Up in respect of the prior Estimated Receipts and shall promptly notify the Cash Manager thereof. To the extent that an MS Calculation Event occurs in respect of only a portion of the Transferred Loans in the

Portfolio (such portion being the "**Affected Transferred Loans**") the Master Servicer shall transfer to the Issuer (i) the Estimated Receipts under the Affected Transferred Loans based on the Forecast Model and (ii) the Recorded Receipts under the Transferred Loans (other than the Affected Transferred Loans), in each case for such Accounts Period.

If an MS Calculation Event occurs, the Master Servicer shall promptly notify the Issuer of the same and that it will be making payment of Estimated Receipts. In addition, the Master Servicer will be required to prepare and deliver to the Issuer and the Security Trustee a plan to address the MS Calculation Event which will detail the steps required to cure the MS Calculation Event and the likely time period for implementation of such plan. The Master Servicer will deliver such plan to the Issuer and Security Trustee within 60 calendar days of notice being given to the Issuer of the occurrence of the MS Calculation Event.

If either (i) as a result of an error in determining Recorded Receipts, or (ii) as a result of a True-Up following payment of Estimated Receipts, or (iii) as a result of an over-repayment by a Borrower or an underpayment (whether as the result of the exercise of any set-off rights or otherwise) by a Borrower or (iv) as a result of an error in determining a Compensation Payment, the Master Servicer (or SLC as Delegate) becomes aware that an overpayment of Receipts or underpayment of Receipts or, in the case of (iv) an overpayment or underpayment of a Compensation Payment, has been made to the Issuer it shall record any such overpayments or underpayments in the Servicing Report. The Servicing Report shall also set out the Overpayment Amounts and Underpayment Amounts in respect of the relevant applicable Accounts Periods or, as the case may be, the relevant Compensation Payment, to which the Servicing Report relates and the Master Servicer will separately notify the Cash Manager of such Overpayment Amounts and Underpayment Amounts (as the case may be) on the Servicing Reporting Date.

On each Distribution Date, the Issuer shall transfer an amount equal to any Overpayment Amounts to the Master Servicer in accordance with the applicable Priority of Payments together with, in the case of an Overpayment Amount arising as a result of an over-repayment by a Borrower to the Master Servicer (or SLC as Delegate), interest thereon (calculated at a rate equal to the lower of the annual percentage increase in RPI and the Interest Rate Cap then applicable to the ICR Loans). The Issuer's obligation to pay any Overpayment Amounts (subject to the applicable Priority of Payments) to the Master Servicer shall be set-off against the Master Servicer's obligation to transfer Receipts to the Issuer such that on each MS Payment Date and subject to the applicable Priority of Payments, the Master Servicer shall transfer the Receipts net of the Overpayment Amounts.

In respect of any Underpayment Amounts, the Master Servicer shall transfer to the Issuer the amount of any Underpayment Amounts on each MS Payment Date together with interest thereon (calculated at a rate equal to the lower of the annual percentage increase in RPI and the Interest Rate Cap then applicable to the ICR Loans).

If a Transferred Loan is recorded by the Master Servicer as having a credit balance or a zero balance, the Master Servicer shall report such Transferred Loan as having a zero balance regardless of any future adjustments to the related Loan Account Record. Any further Receipts in respect of such Transferred Loan shall be retained by the Master Servicer for its own account for settlement with the Transferred Borrower.

#### 2.14 **Remuneration of the Master Servicer**

The fee (the "**Servicing Fee**"), payable to the Master Servicer for the provision of the Services under the Master Servicing Agreement (which shall be inclusive of any VAT, if applicable), shall be payable annually in arrear on each Distribution Date (or on any date where payments are made under the Priority of Payments), in an amount equal to the sum of:

- (a) the Cost per Borrower multiplied by the Average Borrower Numbers; and
- (b) the Fixed Amount,

where,

- (i) the "Cost per Borrower" is equal to £6.32 in respect of the first Distribution Date and thereafter increased annually by the Index Rate (as reported at the end of each relevant Accounts Period prior to the applicable Distribution Date);
- (ii) the "Average Borrower Numbers" is equal to (x) (1) the number of Borrowers in respect of the Transferred Loans at the beginning of the Accounts Period ending immediately prior to the relevant Distribution Date, plus (2) the number of Borrowers in respect of the Transferred Loans at the end of the Accounts Period ending immediately prior to the relevant Distribution Date, (y) divided by 2; and
- (iii) the "Fixed Amount" is equal to £1,715,343 in respect of the first Distribution Date and thereafter increased annually by the Index Rate (as reported at the end of the Accounts Period prior to the applicable Distribution Date).

The Issuer's obligation to pay the Servicing Fee (subject to the applicable Priority of Payments) to the Master Servicer shall be set-off against the Master Servicer's obligation to transfer Receipts to the Issuer on the MS Payment Date immediately prior to the Distribution Date on which the Servicing Fee is due and payable such that on that MS Payment Date, and subject to the applicable Priority of Payments, the Master Servicer shall transfer the Receipts net of the Servicing Fee. The amount of the Servicing Fee payable on a Distribution Date shall be included in the Servicing Report prepared for that Distribution Date in accordance with Clause 5.2 (*Servicing Report*) of the Master Servicing Agreement and will also be separately notified to the Cash Manager on the Servicing Reporting Date.

#### 2.15 **Audit**

The Master Servicer will procure, on an annual basis the commission of a Master Servicer Controls Audit Report in connection with a controls audit by an internationally recognised accounting firm selected by the Master Servicer in respect of the processes undertaken by the Master Servicer (and its Delegates) in servicing the ICR Loans and for such report to be provided to the Issuer (or the external auditors of the Issuer, acting on its behalf (as applicable)) on a reliance basis.

The Issuer shall be responsible for the payment of the costs and expenses of the accounting firm performing the controls audit (such costs and expenses not to exceed a reasonable amount).

If the Master Servicer Controls Audit Report identifies exceptions, the external auditors of the Issuer may request that additional testing is undertaken and the Master Servicer undertakes to procure that the auditors carry out further agreed upon procedures audit which will be made available to the Issuer (or the external auditors of the Issuer, acting on its behalf (as applicable)) on a reliance basis. The Issuer does not have the right to request any other form of audit or review of the Master Servicer or any Delegate.

Any audit described above will be conducted during normal business hours and will be subject to applicable laws relating to data protection, confidentiality, privacy and THEA.

#### 2.16 **Servicing Event**

The Issuer's only rights against the Master Servicer on the occurrence of a Servicing Event (including, subject to applicable grace periods, a breach of the Master Servicing Agreement) will be to agree and implement a Remedial Plan with the Master Servicer and, subject to the terms of the Master Servicing Agreement, receive payment of an indemnity. The Issuer will not have the right to replace the Master Servicer or require the Master Servicer to replace any of its delegates.

The occurrence of any of the following events will constitute a **"Servicing Event"**:

- (a) a default by the Master Servicer in the payment on the due date of any payment to be made by it under the Master Servicing Agreement which has a Material Adverse Effect, provided that it shall not be a default under this paragraph if (i) such default continues unremedied for a period of no greater than 30 calendar days from (and including) the due date of such payment and during such 30 calendar day period the Master Servicer uses commercially reasonable efforts to perform its obligations under the Master Servicing Agreement; or (ii) for the avoidance of doubt, the Master Servicer is making payments of Estimated Receipts and has notified the Issuer that it will be making payments of Estimated Receipts;
- (b) without prejudice to paragraph (a) above, any representation or warranty made by the Master Servicer under the Master Servicing Agreement proves to have been false or misleading in any material respect as of the time made or deemed made (including by omission of material information necessary to make such representation or warranty not misleading) and, if the consequence of such representation or statement being incorrect:
  - (i) has a Material Adverse Effect and is capable of remedy, such consequence is not remedied within 60 calendar days either after receipt by the Master Servicer of written notice from the Issuer, following the service of an Acceleration Notice, the Security Trustee requiring the same to be remedied, or, if earlier, after a Responsible Person of the Master Servicer has actual knowledge of such circumstances; or
  - (ii) has a Material Adverse Effect and is not capable of remedy, either immediately upon written notice thereof to the Master Servicer from the Issuer, following the service of an Acceleration Notice, the Security Trustee or, if earlier, after a Responsible Person of the Master Servicer has actual knowledge of such circumstances;
- (c) subject to the terms of paragraphs (a) and (b) above, a material breach by the Master Servicer of the Master Servicing Agreement or a failure by it to perform any of its obligations or observe any other material term, obligation, covenant or undertaking applicable to the Master Servicer contained in the Master Servicing Agreement and such failure has a Material Adverse Effect and continues for 60 calendar days either after notice thereof is delivered to the Master Servicer by the Issuer, following the service of an Acceleration Notice, the Security Trustee or, if earlier, after a Responsible Person of the Master Servicer has actual knowledge of such circumstances; or
- (d) Insolvency Proceedings are initiated against SLC (for so long as SLC is a Delegate).

2.17 **Servicing Event which, in the opinion of the Master Servicer, is capable of cure on or before the then applicable Longstop Date**

After a Responsible Person of the Master Servicer becomes aware of the occurrence of a Servicing Event, the Master Servicer will determine whether such Servicing Event is, in the opinion of the Master Servicer (acting reasonably), capable of cure on or before the then applicable Longstop Date and, if capable of cure, the Master Servicer will be required to:

- (a) promptly inform the Issuer and the Security Trustee after making this determination;
- (b) prepare a plan to address the Servicing Event (such plan being a **"Remedial Plan"**) which shall include:
  - (i) details of the steps required to cure the Servicing Event;
  - (ii) the applicable Longstop Date; and

- (iii) a certification that, in the opinion of the Master Servicer (acting reasonably), the Remedial Plan will be sufficient to cure the Servicing Event;
- (c) distribute the Remedial Plan to the Issuer and the Security Trustee within 30 calendar days of the Servicing Event (the "**Remedial Plan Required Circulation Date**"); and
- (d) implement and conclude the Remedial Plan by the applicable Longstop Date.

A Servicing Event will be cured when, in the opinion of the Master Servicer (acting reasonably), the Servicing Event is no longer continuing.

**2.18 Servicing Event which, in the opinion of the Master Servicer, is not capable of cure on or before the then applicable Longstop Date**

If a Servicing Event occurs which (i) on the date of its occurrence, or (ii) any time up to 60 calendar days after its occurrence is, in the opinion of the Master Servicer (acting reasonably), incapable of cure on or before the then applicable Longstop Date, the Master Servicer will be required to promptly notify the Issuer and the Security Trustee of this determination.

**2.19 Estimated Receipts**

If Estimated Receipts have been paid by the Master Servicer for three consecutive MS Payment Dates, the Seller may or, on written direction from the Issuer (as directed by the Note Trustee acting on the instructions of each Class of Noteholder by way of Ordinary Resolution), shall give notice that it will repurchase all outstanding Transferred Loans in accordance with the Loan Sale Agreement.

**2.20 Liability and indemnity of the Master Servicer**

The Master Servicer will indemnify, and at all times hold indemnified, each of the Issuer and the Security Trustee and their respective directors, officers, employees, Appointees and agents against all Liabilities (as well as any taxes incurred thereon) arising directly from:

- (a) any claim that the Master Servicer's systems or its use, ownership or possession thereof infringes the intellectual property rights of any third party;
- (b) fraud, negligence or wilful default by the Master Servicer in carrying out its functions as Master Servicer under and in accordance with the Master Servicing Agreement or any other Transaction Document to which it is party;
- (c) the Master Servicer failing to provide a Remedial Plan to the Issuer on or before the Remedial Plan Required Circulation Date (if required to do so);
- (d) the occurrence of a Servicing Event which is incapable of cure; or
- (e) the occurrence of a Servicing Event which is capable of cure not being cured by the relevant Longstop Date or the Master Servicer failing to implement and conclude a Remedial Plan on or before the relevant Longstop Date unless (in the case of a Servicing Event resulting in the Master Servicer being unable to determine Recorded Receipts for an applicable Accounts Period) the Master Servicer has given notice to the Issuer and the Security Trustee that it will make payment of Estimated Receipts and subsequently does make payment of such Estimated Receipts on the next MS Payment Date.

The indemnity by the Master Servicer constitutes the Issuer's and the Security Trustee's sole remedy against the Master Servicer or any Delegates for breach or non-performance of the Master Servicing Agreement.

The Master Servicer will not be liable for:

- (a) any loss of profits or any indirect or consequential loss; or
- (b) any Liabilities of the Issuer or the Security Trustee resulting from a change in UK tax policy by Government except where the implementation of such tax policy has resulted in a breach of the Master Servicing Agreement which has a Material Adverse Effect and such breach occurs as a result of the negligence of the Master Servicer or the Delegates in the implementation of such tax policy. For the purposes of this paragraph "implementation" of UK tax policy means all steps that are considered necessary or desirable by HMRC (or any merged or successor entity or transferee of its obligations) in connection with giving effect to a change in the tax law, rules or regulations of the United Kingdom (or any political sub-division thereof or any authority therein or thereof having power to tax) and HMRC's guidance (or the guidance of any merged or successor entity or transferee of its obligations) and interpretation thereof;

The Master Servicer shall not be obliged to indemnify the Security Trustee, its directors, agents, Appointees, officers, employees and the persons acting on the Security Trustee's behalf for any Liabilities in the event that such Liabilities are incurred by the Security Trustee or such persons solely as a result of the negligence, wilful default or fraud of the Security Trustee or such persons.

The Master Servicer shall not be obliged to indemnify the Issuer, its directors, agents, officers, employees and the persons acting on the Issuer's behalf for any Liabilities in the event such Liabilities are incurred by the Issuer or such persons solely as a result of (i) the negligence or wilful default or fraud of the Issuer or such persons or (ii) the failure by the Issuer to make any payment required under the Transaction Documents, and the Issuer shall indemnify the Master Servicer (on an after tax basis) for any Liabilities suffered or incurred by the Master Servicer as a result of any action properly taken by the Master Servicer at the written request or direction of the Issuer, or any person acting on the Issuer's behalf.

The Issuer and, where applicable, the Master Servicer shall be required to take all reasonable steps (after taking into account any liability cap on the other party) to mitigate any losses in relation to any breach by or any act or omission of any other party to the Master Servicing Agreement.

## 2.21 **Force Majeure**

No party shall be in breach of the Master Servicing Agreement or otherwise be liable to any other party by reason of any delay in performance or non-performance of any of its obligations under the Master Servicing Agreement to the extent that such delay or non-performance is due to any Force Majeure Event of which it has notified such other party. Each of the Issuer and the Master Servicer (as applicable) agree to take all reasonable steps available to it to procure that any Force Majeure Event ceases to exist as soon as practicable.

## 2.22 **Assignment**

If the Issuer assigns its interest in the Transferred Loans to a person and in the manner contemplated in the Loan Sale Agreement (a "**Permitted Transferee**") (other than, for the avoidance of doubt, any repurchase of Transferred Loans by the Seller in accordance with the Loan Sale Agreement and the assignments pursuant to the Deed of Charge) the Issuer and the Master Servicer shall novate the Master Servicing Agreement to the Permitted Transferee and the Master Servicer will continue servicing of the Transferred Loans on such terms, provided that prior to such transfer the Master Servicer may specify an increased Servicing Fee if the transfer would result in servicing being provided to more than one transferee (provided that any such increased Servicing Fee is directly related to a corresponding rise in costs to the Master Servicer in providing the Services to more than one transferee).

## 2.23 Termination

The Master Servicing Agreement shall terminate on the earlier to occur of the following:

- (a) on the date on which no further payments are required to be made by the Seller or Master Servicer to the Issuer, a Permitted Transferee (as defined above) or the Security Trustee in accordance with the Master Servicing Agreement, the Loan Sale Agreement or any other Transaction Document;
- (b) the repurchase of all outstanding Transferred Loans following the exercise of the Fees Shortfall Repurchase Option; and
- (c) the final Distribution Date unless rights of the Issuer under the Master Servicing Agreement have been transferred to a Permitted Transferee (as defined above).

## 2.24 Governing law

English law. Disputes under the Master Servicing Agreement will be subject to arbitration, with seat in London, in accordance with the Rules of the LCIA (formerly the London Court of Arbitration).

## 3. DEED OF CHARGE

On or about the Note Issuance Date, the Issuer will enter into the Deed of Charge with, among others, the Security Trustee.

### 3.1 Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee, on behalf of the Secured Creditors, with the benefit of, among other things, the following security (the "**Security**" with any property charged or otherwise expressed to be encumbered by a security interest by the Issuer pursuant to the Deed of Charge, being the "**Charged Property**" for the purposes of this Prospectus):

- (a) an assignment by way of first fixed security over the Issuer's rights, title, interest and benefit, present and future, in, under and to the Transferred Loans and all its powers related thereto;
- (b) an assignment by way of first fixed security of (and, to the extent not assignable, a first fixed charge over) the Issuer's rights, title, interest and benefit, present and future, in, under and to the Transaction Documents (other than the Subscription Agreement, the Note Trust Deed, the Class X Subscription Agreement and the Class X Note Purchase Agreements), including all rights to receive payment of any amounts which may become payable to the Issuer thereunder, all payments received by the Issuer thereunder and other related rights (including rights to serve notices, make demands, take steps required to cause payments to become due and payable, rights of action in respect of a breach and rights to receive damages or obtain relief);
- (c) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and to each Issuer Bank Account and all sums of money which may now be or hereafter are from time to time standing to the credit of the Issuer Bank Accounts and each other account (if any) in which the Issuer may have or may acquire any rights, title, interest or benefit, together with all interest accruing from time to time thereon;
- (d) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and to any Permitted Investment made on behalf of the Issuer and all monies, income and proceeds payable thereunder or accrued thereon and other related rights;

- (e) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and to the proceeds of any of the interests referred to in paragraphs (a) to (d) (inclusive) above; and
- (f) without prejudice to any fixed security, a floating charge over all the Issuer's undertaking, property, assets and rights (present and future).

The Secured Creditors of the Issuer will include the Security Trustee, the Note Trustee, any Receiver or other Appointee of the Security Trustee or the Note Trustee, the Noteholders, the Seller, the Master Servicer, the Agents and certain other parties.

### 3.2 **Pre-Acceleration Priority of Payments**

On each Distribution Date prior to the Note Trustee serving an Acceleration Notice on the Issuer pursuant to Condition 12 (*Events Of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Issuer Bank Accounts in accordance with the Pre-Acceleration Priority of Payments described in the section of this Prospectus entitled "*Cash flows*".

### 3.3 **Post-Acceleration Priority of Payments**

After the Note Trustee has served an Acceleration Notice on the Issuer pursuant to Condition 12 (*Events Of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee shall apply the monies available in accordance with the Post-Acceleration Priority of Payments described in the section of this Prospectus entitled "*Cash flows*".

### 3.4 **Governing law**

English law. Disputes under the Deed of Charge will be subject to the jurisdiction of the English courts.

## 4. **CASH MANAGEMENT AGREEMENT**

### 4.1 **Background**

On or about the Note Issuance Date, the Master Servicer, the Seller, the Cash Manager, the Issuer and the Security Trustee will enter into the Cash Management Agreement.

### 4.2 **Cash Management Services to be provided to the Issuer**

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer.

The Cash Manager's principal function will be to effect payments to and from the Issuer Bank Accounts as more particularly described in the section of this Prospectus entitled "*Cash flows*". Prior to the service of an Acceleration Notice or a Cash Manager Termination Event, the Cash Manager shall, in accordance with the Cash Management Agreement, invest amounts standing to the credit of the Note A2 Cash Account in Permitted Investments.

It will also have certain other duties, including the preparation and publication of an annual report in relation to the Portfolio, the Notes and compensation cash flows (each, an "**Investor Report**") substantially in the form set out in Schedule 4 (*Form of Investor Report*) of the Cash Management Agreement. The form of the Investor Report is also included as Annex 1 to this Prospectus. Each annual Investor Report will be made available to the Issuer, the Note Trustee, the Security Trustee, the Noteholders, the Seller and the Rating Agencies via the Cash Manager's internet website currently located at <https://sf.citidirect.com> and via Bloomberg.

The Cash Manager shall on each Distribution Date make available to the Issuer, the Security Trustee, the Note Trustee, the Noteholders, the Seller, and each of the Rating Agencies, via



the Cash Manager's internet website currently located at <https://www.sf.citidirect.com>, Borrower-level Data in relation to the Transferred Loans on an anonymised basis in the form provided by the Master Servicer in accordance with the Master Servicing Agreement.

The Cash Manager shall, via the Cash Manager's internet website currently located at <https://sf.citidirect.com>:

- (a) on the Note Issuance Date, make available to the Issuer, the Note Trustee, the Noteholders, potential Noteholders who have been granted access to the website described above, the Security Trustee, the Seller and the Rating Agencies the then current Forecast Model provided by the Master Servicer in accordance with the Master Servicing Agreement;
- (b) on each Distribution Date, make available to the Issuer, the Note Trustee, the Noteholders, potential Noteholders who have been granted access to the website described above, the Security Trustee, the Seller and the Rating Agencies the Model Information Package provided by the Master Servicer in accordance with the Master Servicing Agreement. If the Cash Manager receives the Model Information Package from the Master Servicer after the MS Payment Date, then the Cash Manager shall make the Model Information Package available to the Issuer, the Note Trustee, the Noteholders, the Security Trustee, the Seller and the Rating Agencies no later than two Business Days following receipt from the Master Servicer;
- (c) on the Distribution Date immediately following receipt of any updated Forecast Model from the Master Servicer, make available to the Issuer, the Note Trustee, the Noteholders, potential Noteholders who have been granted access to the website described above, the Security Trustee, the Seller and the Rating Agencies such updated Forecast Model. If the Cash Manager receives any updated Forecast Model from the Master Servicer after the MS Payment Date, then the Cash Manager shall make such updated Forecast Model available to the Issuer, the Note Trustee, the Noteholders, the Security Trustee, the Seller and the Rating Agencies no later than two Business Days following receipt from the Master Servicer;
- (d) on each Interim Collections Reporting Date following receipt of an Interim Collections Report, make available to the Issuer, the Note Trustee, the Noteholders, the Security Trustee, the Seller and the Rating Agencies such Interim Collections Report; and
- (e) on each Distribution Date following receipt of the Compensation Books or the Net Compensation Book (as applicable) from the Master Servicer, make available to the Issuer, the Note Trustee, the Noteholders, the Security Trustee, the Seller and the Rating Agencies such Compensation Books or the Net Compensation Book (as applicable) together with any information provided by the Master Servicer about the mechanics and determinations used to calculate the Compensation Payments under the Loan Sale Agreement,

in each case, for information purposes only and without any liability for any direct, indirect or consequential losses (in contract, tort or otherwise) on the part of the Master Servicer and the Cash Manager. If the Cash Manager is unable to provide an updated Forecast Model or the Model Information Package on the Distribution Date pursuant to paragraphs (b) or (c) above (as applicable) due to the same not being provided to it by the Master Servicer, such failure to provide an updated Forecast Model or the Model Information Package on the Distribution Date shall not constitute a Cash Manager Termination Event or breach of the Cash Manager's obligations under the Cash Management Agreement.

The Cash Manager's website located at <https://sf.citidirect.com> and the contents thereof do not form part of this Prospectus.

#### 4.3 **Remuneration of Cash Manager**

The Cash Manager shall be paid a fee (exclusive of any VAT, if applicable) for its cash management services under the Cash Management Agreement annually in arrear on each Distribution Date.

#### 4.4 **Termination of appointment of Cash Manager**

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

- (a) **Failure to pay:** provided the Cash Manager has been properly put in funds therefor, default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of five Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, following the service of an Acceleration Notice, the Security Trustee requiring the same to be remedied; or
- (b) **Breach of other obligations:** default is made by the Cash Manager in the performance or observance of any of its other covenants or obligations under the Cash Management Agreement (other than as described in paragraph 4.4(a) above) which is materially prejudicial to the interests of the Noteholders and such default continues unremedied for a period of 20 Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, following the service of an Acceleration Notice, the Security Trustee requiring the same to be remedied; or
- (c) **Insolvency:** Insolvency Proceedings are initiated against the Cash Manager; or
- (d) **Unlawfulness:** it is or becomes unlawful for the Cash Manager to continue its business or discharge its obligations as contemplated by the Cash Management Agreement or the other Transaction Documents to which it is a party; or
- (e) **Force Majeure Event:** the Cash Manager fails to comply with any duty or obligation under or pursuant to the Cash Management Agreement arising as a direct or indirect result of any Force Majeure Event and such failure continues for a period of 5 Business Days after the earlier of the Cash Manager becoming aware of such failure and receipt by the Cash Manager of written notice from the Issuer or, following the service of an Acceleration Notice, the Security Trustee requiring the same to be remedied,

then the Issuer, prior to the service of an Acceleration Notice or, following the service of an Acceleration Notice, the Security Trustee may, at once or at any time thereafter while such event continues, by notice in writing to the Cash Manager terminate the appointment of the Cash Manager as Cash Manager under the Cash Management Agreement with effect from a date (not earlier than the date of the notice) specified in the notice provided that no termination of the appointment of the Cash Manager will become effective until a replacement shall have been appointed in accordance with the Cash Management Agreement.

The appointment of the Cash Manager under the Cash Management Agreement may also be terminated upon the expiry of not less than 60 days' written notice of termination given by the Issuer (without giving any reason hereto) to the Cash Manager, the Security Trustee, the Seller and the Master Servicer provided that no termination of the appointment of the Cash Manager will become effective until a Replacement Cash Manager shall have been appointed in accordance with the Cash Management Agreement.

No outgoing Cash Manager shall be released from its obligations under the relevant provisions of the Cash Management Agreement until a Replacement Cash Manager has entered into a replacement cash management agreement.

#### 4.5 **Governing law**

English law. Disputes under the Cash Management Agreement will be subject to the jurisdiction of the English courts.

### 5. **ISSUER BANK ACCOUNT AGREEMENT**

#### 5.1 **Background**

Pursuant to the terms of the Issuer Bank Account Agreement entered into on or about the Note Issuance Date between the Issuer, the Issuer Account Bank, the Cash Manager and the Security Trustee, the Issuer will maintain with the Issuer Account Bank, the Issuer Bank Accounts.

#### 5.2 **Loss of Required Ratings or authorisation**

The short term unguaranteed, unsubordinated and unsecured debt obligations of the Issuer Account Bank are rated F1 by Fitch and A-1 by S&P and the long term unguaranteed, unsubordinated and unsecured debt obligations of the Issuer Account Bank are rated AA- by Fitch and A by S&P, in each case as at the date of this Prospectus. If, at any time the Issuer Account Bank ceases to have the Required Ratings, the Issuer will be required within 30 calendar days (provided no guarantee of the Issuer Account Bank's obligations in respect of the Issuer Bank Accounts from a Qualifying Bank has been obtained within such period) to arrange for the transfer (at the Issuer Account Bank's cost) of the Issuer Bank Accounts and all funds standing to the credit thereof to a reputable and experienced financial institution which (i) has at least the Required Ratings and (ii) has authorisation to carry on banking business (including accepting deposits) under the FSMA with the prior consent of the Security Trustee pursuant to and in accordance with the provisions of the Issuer Bank Account Agreement. The Issuer will also be required to transfer the Issuer Bank Accounts if the Issuer Account Bank ceases to be an institution authorised to carry on banking business (including accepting deposits) under the FSMA.

For the purposes of this Prospectus, "**Required Ratings**" means, in respect of the relevant entity:

- (a) the short-term issuer default rating must be at least F1 by Fitch or the long-term issuer default rating must be at least A- by Fitch; and
- (b) the short-term unsubordinated, unguaranteed and unsecured debt obligation must be rated at least A-2 by S&P and the long-term unsubordinated, unguaranteed and unsecured debt obligation must be rated at least BBB long-term by S&P,

or such other short-term or long-term rating which is otherwise consistent with the published criteria of the relevant Rating Agency and which the relevant Rating Agency (at its discretion) confirms as being the minimum ratings that are required to support the then rating of the Senior Class of Offered Notes then outstanding.

#### 5.3 **Governing law**

English law. Disputes under the Issuer Bank Account Agreement will be subject to the jurisdiction of the English courts.

### 6. **NOTE TRUST DEED**

#### 6.1 **Background**

On or about the Note Issuance Date, the Issuer and the Note Trustee will enter into the Note Trust Deed. Under the terms of the Note Trust Deed, the Issuer and the Note Trustee will agree that the Notes are subject to the provisions of the Note Trust Deed. The Conditions and the forms of the Notes are set out in the Note Trust Deed.

The Note Trustee will agree to hold the benefit of, among other things, all moneys received by or on behalf of the Note Trustee in respect of the Notes or amounts payable under the Note Trust Deed or other Transaction Documents on trust for itself and the Noteholders and to apply them, subject to the terms of the Note Trust Deed.

In accordance with the terms of the Note Trust Deed, the Issuer will pay an annual fee to the Note Trustee for its services under the Note Trust Deed at the rate agreed between the Issuer and the Note Trustee together with payment of all costs, charges and expenses incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under the Note Trust Deed.

The Note Trustee may resign at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefor. The Issuer may, and shall if directed by Ordinary Resolution of the Noteholders of the Senior Class, remove the Note Trustee without assigning any reason whatsoever therefor by giving not less than three calendar months' notice in writing to the Note Trustee. The resignation or removal of the Note Trustee shall not become effective unless, *inter alia*, there remains a trustee (being a corporation entitled by the rules made under the Public Trustee Act 1906 of the United Kingdom to act as a custodian trustee or entitled pursuant to any other legislation applicable to a trustee in any jurisdiction other than England and Wales to act as trustee and carry on trust business under the laws of its country of incorporation) in office after such removal and, unless the Note Trustee and the Security Trustee agree otherwise, the Security Trustee is, pursuant to the provisions of the Deed of Charge, removed simultaneously with the resignation or removal of the Note Trustee under the Note Trust Deed, and the appointment of any new trustee has been previously approved by an Ordinary Resolution of the Noteholders of the Senior Class.

None of the Note Trustee or the Security Trustee shall be obliged to agree any modification to the Transaction Documents which in the sole opinion of the Note Trustee or the Security Trustee (as applicable) would have the effect of (a) exposing the Note Trustee or the Security Trustee (as applicable) to any liability against which it has not been indemnified and/or prefunded and/or secured to its satisfaction, or (b) increasing the obligations or duties or decreasing the rights or protections of the Note Trustee or the Security Trustee (as applicable) in the Transaction Documents and/or the Conditions.

The Note Trust Deed also contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders (see "*Risk Factors – Transaction Structure - Conflict between Classes of Noteholders*" above). Further, the Note Trust Deed also contains provisions for calling meetings of Noteholders and agreeing to any modifications, amendments and waivers (see "*Risk Factors – Transaction Structure – Meetings of Noteholders, modification and waivers*" above).

## 6.2 **Governing law**

English law. Disputes under the Note Trust Deed will be subject to the jurisdiction of the English courts.

## 7. **CORPORATE SERVICES AGREEMENT**

### 7.1 **Background**

On or about the Note Issuance Date, the Issuer, HoldCo, the Corporate Services Provider, the Share Trustee and the Security Trustee will enter into the Corporate Services Agreement.

Pursuant to the Corporate Services Agreement, the Corporate Services Provider will provide certain corporate administration functions to the Issuer and HoldCo. Such services to the Issuer and HoldCo include, *inter alia*, acting as company secretary of the Issuer, maintaining all statutory books, convening meetings of the Issuer, provision of registered office facilities and suitable office accommodation, performing all obligations incumbent on the directors or

secretary of a company under the Companies Act 1985 to 2006 and performing certain other corporate administration services against payment of a fee.

The Corporate Services Agreement provides that the agreement will automatically terminate upon the Issuer or HoldCo (as applicable) commencing liquidation proceedings, or, if earlier, as agreed between the Issuer and HoldCo (as applicable) and the Corporate Services Provider (such agreement not to be unreasonably withheld). In addition, the agreement can be terminated by the Corporate Services Provider giving three months' notice to the Issuer and HoldCo or by the Issuer and HoldCo giving three months' notice to the Corporate Services Provider. The Issuer and HoldCo shall also have the right to terminate the Corporate Services Agreement at any time if, *inter alia*, the Corporate Services Provider commits a material breach of any of the terms or conditions of the Corporate Services Agreement and fails to remedy the same within thirty (30) days (or such other period as shall be agreed between the parties) of being required so to do. Any termination of the appointment of the Corporate Services Provider will only become effective upon, *inter alia*, the appointment in accordance with the Corporate Services Agreement of a substitute Corporate Services Provider.

## 7.2 **Governing law**

English law. Disputes under the Corporate Services Agreement will be subject to the jurisdiction of the English courts.

## 8. **AGENCY AGREEMENT**

### 8.1 **Background**

On the Note Issuance Date, the Issuer, the Principal Paying Agent, the Calculation Agent, the Registrar, the Note Trustee and the Security Trustee will enter into the Agency Agreement.

The Principal Paying Agent, the Registrar and the Calculation Agent will be appointed by the Issuer, and in certain circumstances as set out in the Agency Agreement, by the Note Trustee and the Security Trustee, to act as their agent to make certain calculations, determinations and to effect payments in respect of the Notes.

The Agency Agreement provides that the Issuer may terminate the appointment of any Agent with regard to some or all of its functions with the prior written consent of the Note Trustee and the Security Trustee upon giving such Agent not less than thirty (30) calendar days' prior notice and providing notice thereof to the Noteholders in accordance with the Conditions. It further provides that any Agent may at any time resign from its office by giving the Issuer (with copy to the Note Trustee and the Security Trustee) not less than thirty (30) calendar days' prior notice.

Any termination or resignation of any Agent shall become effective only upon the appointment by the Issuer (with the prior written consent of the Note Trustee) of one or more, as the case may be, banks or financial institutions in the required capacity and the giving of prior notice of such appointment to the Security Trustee and the Noteholders in accordance with the Conditions. If no replacement agent is appointed by the Issuer within twenty (20) calendar days of any Agent's resignation, then such Agent may itself, appoint such replacement agent in the name and for the account of the Issuer by giving prior notice of such appointment to the Security Trustee, the Note Trustee and the Noteholders in accordance with the Conditions.

### 8.2 **Governing law**

English law. Disputes under the Agency Agreement will be subject to the jurisdiction of the English courts.

## 9. **SUBSCRIPTION AGREEMENT**

### 9.1 **Background**

On or about the Signing Date, the Issuer entered into the Subscription Agreement with the Joint Lead Managers, the Arranger and the Seller with respect to the subscription and sale of the Offered Notes.

Please see the section of this Prospectus entitled "*Subscription and Sale - Subscription of the Offered Notes*" for further details about the Subscription Agreement.

### 9.2 **Governing law**

English law. Disputes under the Subscription Agreement will be subject to the jurisdiction of the English courts.

## 10. **CLASS X SUBSCRIPTION AGREEMENT**

### 10.1 **Background**

On or about the Signing Date, the Issuer entered into the Class X Subscription Agreement with the Placement Agents and the Seller with respect to the subscription and sale of the Class X Notes.

Pursuant to the Class X Subscription Agreement, the Placement Agents have agreed, subject to certain conditions, to purchase and pay for or procure the purchase and payment for, the Class X Notes. The Placement Agents will enter into a separate Class X Note Purchase Agreement with each Class X Note Purchaser (as defined below) as further described below in "*Summary of the Key Transaction Documents – Each Class X Note Purchase Agreement*", pursuant to which the Placement Agents will on-sell the Class X Notes to the Class X Note Purchasers.

In the Class X Subscription Agreement, each of the Seller and the Issuer has made certain representations and warranties in respect of relevant legal and financial matters. The Issuer and the Seller have agreed in the Class X Subscription Agreement to indemnify each Placement Agent against certain liabilities in connection with the offer and sale of the Class X Notes, and the Issuer has agreed to reimburse each Placement Agent for certain of its expenses in connection with the issue of the Class X Notes.

The Class X Subscription Agreement entitles each Placement Agent to terminate its obligations thereunder in certain circumstances prior to payment of the purchase price for the Class X Notes.

### 10.2 **Governing law**

English law. Disputes under the Class X Subscription Agreement will be subject to the jurisdiction of the English courts.

## 11. **EACH CLASS X NOTE PURCHASE AGREEMENT**

### 11.1 **Background**

Barclays and JPMorgan as the Placement Agents, the Seller and the Issuer have entered into a separate Class X Note Purchase Agreement with each prospective purchaser of Class X Notes (each a "**Class X Note Purchaser**") pursuant to which the relevant Class X Note Purchaser will, subject to satisfaction of certain conditions precedent, purchase the relevant Class X Notes from the Placement Agents.

Under each Class X Note Purchase Agreement the Issuer and the Seller have made certain representations as to their respective authority and capacity to enter into the Class X Note

Purchase Agreement and as to the accuracy (in all material respects) of certain identified offering materials to the relevant Class X Note Purchaser, such representations being given at the date of the Class X Note Purchase Agreement and on the Note Issuance Date. The Seller's liability under each Class X Note Purchase Agreement is limited to an amount equal to the Redemption Amount that would be payable in respect of the relevant Class X Notes if they were to be redeemed in accordance with Condition 5.4 (*Early redemption; UK Tax System or CCA Event*) on the date of the submission of the claim form in respect of the claim against the Seller.

Each Class X Note Purchaser has also given certain representations and certain specific undertakings in relation to the Class X Notes it purchases (the "**Purchased Notes**").

#### 11.2 **Class X Note Purchaser's representations and warranties**

The Class X Note Purchaser has represented and warranted to each of the Placement Agents, the Seller and the Issuer as follows:

- (a) **Incorporation, Power and Authority:** The Class X Note Purchaser has been duly incorporated and is validly existing as a private company under the law of its jurisdiction of incorporation with full power and authority to conduct its business and the Class X Note Purchaser is able lawfully to execute and perform its obligations under the Class X Note Purchase Agreement.
- (b) **Legal, Valid and Binding:** The Class X Note Purchase Agreement has been duly authorised, executed and delivered by the Class X Note Purchaser and constitutes legal, valid and binding obligations of the Class X Note Purchaser enforceable against it in accordance with its terms, except as such enforcement may be limited by (i) applicable bankruptcy, insolvency, reorganisation or other similar laws in relation to or limiting creditors' rights generally and (ii) the effect of the general principles of equity.
- (c) **Status:** The Class X Note Purchaser is either:
  - (i) an investment professional within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended or replaced from time to time);
  - (ii) a person falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended or replaced from time to time);
  - (iii) a certified sophisticated investor in relation to a communication within the meaning of Article 50(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended or replaced from time to time); or
  - (iv) a person in a State other than the United Kingdom who under the law of that State is not prohibited from investing in the Class X Notes.
- (d) **Sophisticated Investor:** The Class X Note Purchaser, and to the extent that it is purchasing for an investment account, the ultimate beneficiary:
  - (i) is purchasing the Notes for its own account or for one or more separate accounts maintained by such Class X Note Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Class X Note Purchaser's or their property shall at all times be within such Class X Note Purchaser's or their control.

- (ii) has determined, based on its own independent review, that its acquisition of the Purchased Notes:
  - (1) is fully consistent with its (or if it is acquiring the Purchased Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition;
  - (2) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Purchased Notes as beneficial owner or in a fiduciary capacity); and
  - (3) is a fit, proper and suitable investment for it (or if it is acquiring the Purchased Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Purchased Notes;
- (iii) is a sophisticated and institutional investor and has such knowledge and experience in financial and business matters and expertise in assessing credit risk that it is capable of evaluating the merits, risks and suitability of investing in the Purchased Notes, and that it is relying exclusively on its own credit analysis with respect to the Purchased Notes, the Portfolio and/or the Issuer;
- (iv) has taken, and is entering into the purchase of the Purchased Notes in reliance upon, such tax, accounting, regulatory, legal and financial advice as it deems necessary, appropriate or advisable to enable it to evaluate the merits and risks associated with the purchase of and investment in the Purchased Notes and not upon any view expressed by the Issuer, the Placement Agents or the Seller;
- (v) has consulted or will consult with its own advisors to the extent it deems necessary or advisable to ensure that the purchase of and investment in the Purchased Notes is consistent with any legal or investment restrictions applicable to it;
- (vi) it makes similar investments in the normal course of its business, has the ability to bear the economic risk of its investment in the Purchased Notes, has adequate means of providing for its current and contingent needs and has no need for liquidity with respect to its investment in the Purchased Notes, understands that investment in the Purchased Notes involves a high degree of risk which could result in a complete loss of its investment in the Purchased Notes, and is able to sustain a complete loss of its investment in the Purchased Notes;
- (vii) understands and acknowledges that the Issuer, the Seller and each Placement Agent do not give any representation and warranty as to the sufficiency of the Class X Note Offering Materials (as such term is defined in Schedule 7 (*Definitions, Interpretation and Construction*) of the Class X Note Purchase Agreements, the "**Class X Note Offering Materials**") for the purpose of it making its investment decision;
- (viii) without prejudice to the representations on the accuracy of the Prospectuses (as such term is defined in the relevant Class X Note Purchase Agreement), understands and acknowledges that the Prospectuses (as such term is defined in the relevant Class X Note Purchase Agreement) were not prepared in connection with offering or purchase of the Purchased Notes;



- (ix) is able to evaluate (either alone or with the help of advisors) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
  - (x) understands thoroughly the terms of the Purchased Notes as set out in the Class X Note Offering Materials and is familiar with the behaviour of any relevant indices and financial markets.
- (e) **Withholding tax:** The Class X Note Purchaser is (or will be prior to the next Tax Record Date following its purchase of the Purchased Notes) either:
- (i) a resident of a qualifying territory (as such terms are defined in regulations 5(4) and 5(5) of the Qualifying Private Placement Regulations 2015 (SI 2015/2002)) and is beneficially entitled to the interest on the Purchased Notes for genuine commercial reasons, and not as part of a tax advantage scheme (as such term is defined in regulation 2(1) of the Qualifying Private Placement Regulations 2015 (SI 2015/2002)); or
  - (ii) a person falling within section 933 to 937 of the Income Tax Act 2007 such that the interest on the Purchased Notes will be an "excepted payment" for the purpose of section 930 of the Income Tax Act 2007; or
  - (iii) a person entitled to the benefit of a double tax treaty between the United Kingdom and the jurisdiction in which that person is resident for tax purposes which makes provision for full exemption from tax imposed by the United Kingdom on interest.
- (f) **No Advice:** None of the Issuer, the Placement Agents, the Seller or any of their respective Affiliates has:
- (i) provided the Class X Note Purchaser with any advice with respect to the Purchased Notes, the Portfolio and/or the Issuer;
  - (ii) made or makes any representation as to the credit quality of the Portfolio or the Issuer;
  - (iii) has acted or is acting as a fiduciary for, or as an investment, financial or other adviser to, the Class X Note Purchaser; or
  - (iv) has given or will give to the Class X Note Purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment by the Class X Note Purchaser in the Purchased Notes.
- (g) **Lawfulness:** The Class X Note Purchaser represents and warrants that:
- (i) its acquisition of the Purchased Notes is lawful under the laws of the jurisdiction of its incorporation and any jurisdiction in which it operates (if different), and that such acquisition will not contravene any law, regulation or regulatory policy applicable to it in such jurisdiction;
  - (ii) no action has been or will be taken in any jurisdiction by the Class X Note Purchaser that would permit or require a public offering or admission to listing or trading on any exchange of the Purchased Notes in such jurisdiction; and

- (iii) in each jurisdiction in which it acquires, offers, sells or delivers the Purchased Notes in accordance with the terms of the Class X Note Purchase Agreement, it will:
    - (1) comply with all applicable laws and regulations; and
    - (2) ensure that no obligations are imposed on the Issuer or its Affiliates in any such jurisdiction as a result of any of the foregoing actions.
- (h) **Comments and Due Diligence:** The Class X Note Purchaser has been provided with adequate time prior to the acquisition of the Purchased Notes, and had adequate opportunity prior to the issue of the Purchased Notes, to comment on the Class X Note Purchase Agreement and undertake its own due diligence and investigation of the Issuer and the Seller.
- (i) **Prospectuses:** The Class X Note Purchaser has not relied on the Prospectuses (as such term is defined in the relevant Class X Note Purchase Agreement) as addressing all the risks and considerations relating to an investment in the Class X Notes and acknowledges that the Prospectuses (as such term is defined in the relevant Class X Note Purchase Agreement) have been prepared in relation to the offering of the Class A Notes and Class B Notes only.
- (j) **No Responsibility:** Save as expressly provided for in the Class X Note Purchase Agreement, the Class X Note Purchaser acknowledges that:
  - (i) none of the Issuer, the Seller or the Placement Agents or any persons acting on their behalf accepts any responsibility for the public information relating to the Issuer or the Seller or any other information which has been made available to the Class X Note Purchaser, whether at the date of the Class X Note Purchase Agreement or otherwise, and
  - (ii) none of the Issuer, the Seller or the Placement Agents or any persons acting on their respective behalves has made or makes, any representation or warranty, express or implied, as to the truth, accuracy, sufficiency or completeness of such information, whether at the date of publication, the date of the Class X Note Purchase Agreement or otherwise.
- (k) **Authorised Agent:** Where the Class X Note Purchaser buys the Purchased Notes as agent for any person, the Class X Note Purchaser is fully authorized to purchase the Purchased Notes and has full investment discretion with respect to the account.
- (l) **Non Registration:** The Class X Note Purchaser acknowledges that the Purchased Notes have not been and will not be registered under the Securities Act, and, subject to certain exceptions, the Purchased Notes may not be offered or sold within the United States, and the Class X Note Purchaser understands that the Issuer makes no representation as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Purchased Notes.
- (m) **Admission to Trading:** None of the Purchased Notes are and no application has been made, or will be made, for the Purchased Notes to be admitted to trading on any stock exchange.
- (n) **Non U.S. Person:** At the time the Class X Note Purchaser's buy order was originated, the Class X Note Purchaser was not, and at the time of delivery of the Purchased Notes to it will not be, a U.S. Person (within the meaning of Regulation S under the Securities Act (a "**U.S. Person**") or in the United States, or acting for the account or benefit of a U.S. Person or person in the United States, and it is purchasing the Purchased Notes in accordance with Regulation S under the Securities Act.

- (o) **Non Risk Retention U.S. Person:** At the time the Class X Note Purchaser's buy order was originated, the Class X Note Purchaser was not, and at the time of delivery of the Purchased Notes, the Class X Note Purchaser is not (1) a Risk Retention U.S. Person and is not acquiring the Purchased Notes (or a beneficial interest therein) for the account or benefit of Risk Retention U.S. Persons, (2) acquiring the Purchased Notes (or a beneficial interest therein) with a view to distribution of the Purchased Notes, and (3) acquiring the Purchased Notes or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring the Purchased Notes through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules).
- (p) **Regulation S:** The Class X Note Purchaser agrees to comply with the provisions of Regulation S under the Securities Act.
- (q) **Volcker Rule:** The Class X Note Purchaser understands that under the Volcker Rule:
- (i) relevant banking entities (as defined under the Volcker Rule) are generally prohibited from, among other things, engaging in proprietary trading, acquiring or retaining any ownership interest in, or acting as sponsor in respect of, certain investment entities referred to as covered funds. In addition, it understands that in certain circumstances, the Volcker Rule restricts relevant banking entities from entering into certain credit exposure related transactions with covered funds and, in general, there is limited interpretive guidance regarding the Volcker Rule; and
  - (ii) "**banking entity**" is broadly defined to include U.S. banks and non-U.S. banks with a banking presence in the U.S., and any of their respective U.S. Affiliates and the Issuer may be deemed to be a "covered fund" under the Volcker Rule and it is uncertain whether the Purchased Notes will be characterized as "ownership interests," which is defined to include, among other things, interests arising through a holder's exposure to profits and losses in the covered fund. It understands that such prohibitions may have adverse effects on the liquidity and value of the Purchased Notes including limiting the secondary market of the Purchased Notes.

The Class X Note Purchaser is responsible for analysing its own position under the Volcker Rule and any similar measures, including with respect to its ability to acquire or hold the Purchased Notes, now or at any time in the future.

- (r) **Placement Agent:** The Class X Note Purchaser acknowledges and agrees that:
- (i) the Placement Agents have not prepared, and have no liability whatsoever to the Class X Note Purchaser or any other person in relation to, the contents of the Class X Note Offering Materials; and
  - (ii) the Placement Agents owe no responsibility and have no liability to any person under or pursuant to the Class X Note Purchase Agreement except in the case of gross negligence or fraud on the part of either Placement Agent in carrying out their obligations in clause 3.1 (*Purchase*) of the Class X Note Purchase Agreement.

### 11.3 Undertakings by the Class X Note Purchaser - Transfer and Profit Sharing

- (a) The Class X Note Purchaser will not transfer or otherwise dispose of any of the Purchased Notes other than in accordance with the Conditions thereof and the terms of the Class X Note Purchase Agreement and, without prejudice to the generality of

the foregoing, undertakes to procure that any Transferee of an interest in any or all of the Purchased Notes shall enter into a Class X Note Investor Representation Letter<sup>1</sup> in accordance with the Conditions of the Purchased Notes.

- (b) The Class X Note Purchaser shall notify the Seller of any proposed Class X Note Transfer by the Class X Note Purchaser in relation to all or any of the Purchased Notes.
- (c) If a Class X Note Transfer is entered into or completed by the Class X Note Purchaser within the Specified Period, the Class X Note Purchaser shall pay to the Seller an amount equal to 50% of any Additional Gain. The Class X Note Purchaser shall pay such amount to the Seller within 5 Business Days of such Class X Note Transfer by the Class X Note Purchaser.
- (d) Clause 5.2(a) (*Transfer and Profit Sharing*) of the Class X Note Purchase Agreement will survive the termination of the Class X Note Purchase Agreement for so long as the Class X Note Purchaser's payment obligation to the Seller set out in clause 5.2(a)(iii) of the Class X Note Purchase Agreement has not been discharged in full by the Class X Note Purchaser.

#### 11.4 Undertakings by the Class X Note Purchaser – Information

The Class X Note Purchaser will provide the Issuer with all information in relation to the Purchased Notes which the Issuer reasonably requests to enable the Issuer to comply with its obligations in relation to taxation including without limitation its obligations under FATCA and any other Tax Information Arrangement.

#### 11.5 Undertakings by the Class X Note Purchaser – Withholding tax

- (a) On or before each Tax Record Date following its purchase of the Purchased Notes, the Class X Note Purchaser shall deliver to the Issuer and the Principal Paying Agent a Noteholder Tax Certificate (enclosing a copy of the Gross Payment Direction, where applicable). For the avoidance of doubt, a Noteholder Tax Certificate relates only to the Distribution Date specified therein and a new Noteholder Tax Certificate must be provided on or before each Tax Record Date in relation to the relevant Distribution Date.
- (b) The Class X Note Purchaser shall promptly notify the Issuer and the Principal Paying Agent in writing:
  - (i) of any Class X Note Transfer by the Class X Note Purchaser in relation to all or any of the Purchased Notes (such notification to include details of the assignee or transferee)<sup>2</sup>; or
  - (ii) if any of the confirmations given by the Class X Note Purchaser in the Noteholder Tax Certificate are no longer correct.
- (c) If the Issuer and the Principal Paying Agent do not receive a Noteholder Tax Certificate in accordance with paragraph (a) above on or before the Tax Record Date, the Issuer shall make payment of interest on the relevant Distribution Date net of any Tax Deduction.
- (d) If the Issuer and the Principal Paying Agent receive a Noteholder Tax Certificate in accordance with paragraph (a) above on or before the Tax Record Date, the Issuer

<sup>1</sup> The Class X Note Investor Representation Letter scheduled to the Note Trust Deed includes equivalent undertakings (with necessary modifications) to this provision and the provision in 11.4 and 11.5 to be given by the Transferee (in addition to representations from the Transferee).

<sup>2</sup> While a notification of a transfer can still be received, this will not affect the deemed owner for a particular distribution if the notification of the transfer is provided after the Record Date.

shall still make payment of interest in respect of a Purchased Note on the relevant Distribution Date net of any Tax Deduction in each of the following circumstances:

- (i) Option A has been completed in the Noteholder Tax Certificate and an officer of HMRC has given (and not revoked) a direction to the Issuer under section 931 of the Income Tax Act 2007 which relates to the payment of interest on the Purchased Notes; or
- (ii) the Noteholder Tax Certificate is rejected by the Issuer and/or the Principal Paying Agent (such rejection to be at the sole discretion of the Issuer or the Principal Paying Agent) as a result of any missing or incorrect information or otherwise; or
- (iii) the Issuer and the Principal Paying Agent receive notification:
  - (1) of a Class X Note Transfer in respect of the Purchased Notes after the Record Date<sup>3</sup> but on or before the 3<sup>rd</sup> Business Day before the relevant Distribution Date (or, if not a Business Day, the immediately following Business Day); or
  - (2) under paragraph (b)(ii) above after the Tax Record Date but on or before the 3<sup>rd</sup> Business Day before the relevant Distribution Date (or, if not a Business Day, the immediately following Business Day); or
- (iv) the Issuer and the Principal Paying Agent receive notification of a Class X Note Transfer in respect of the Purchased Notes on or before the Record Date but:
  - (1) do not receive a Noteholder Tax Certificate from the assignee or transferee on or before the relevant Tax Record Date; or
  - (2) paragraph (d)(ii) above applies to the Noteholder Tax Certificate delivered by the assignee or transferee; or
- (v) the Issuer and the Principal Paying Agent receive a notification under paragraph (b)(ii) above on or before the Tax Record Date but:
  - (1) do not receive a new Noteholder Tax Certificate from the Class X Note Purchaser on or before the relevant Tax Record Date; or
  - (2) paragraph (d)(ii) above applies to the new Noteholder Tax Certificate delivered by the Class X Note Purchaser.
- (e) For the avoidance of doubt, neither the Issuer nor the Principal Paying Agent shall be under any obligation to gross up, credit or otherwise compensate any transferee, assignee or the Class X Note Purchaser (as applicable) for the lesser amounts it will receive as a result of any Tax Deduction or to obtain any refund of tax withheld from such interest payment from HMRC.
- (f) Where the Issuer and the Principal Paying Agent receive a Noteholder Tax Certificate in accordance with paragraph (a) above on or before the Tax Record Date but the Issuer and the Principal Paying Agent receive notification:
  - (i) of a Class X Note Transfer in respect of a Purchased Note; or
  - (ii) under paragraph (b)(ii) above,

<sup>3</sup>

While a notification of a transfer can still be received, this will not affect the deemed owner for a particular distribution if the notification of the transfer is provided after the Record Date.

in either case, after the 3<sup>rd</sup> Business Day before the relevant Distribution Date (or, if not a Business Day, the immediately following Business Day), the Issuer and the Principal Paying Agent shall be entitled to rely on the existing Noteholder Tax Certificate in respect of the payment of interest on the relevant Distribution Date in respect of that Purchased Note and the Class X Note Purchaser shall indemnify the Issuer and the Principal Paying Agent for any liabilities in accordance with paragraph (g) below.

- (g) If the Issuer or the Principal Paying Agent makes a payment of interest in respect of that Purchased Note without a Tax Deduction in reliance on the confirmations given by the Class X Note Purchaser in a Noteholder Tax Certificate:
- (i) where any liability in relation to an amount which should have been deducted or withheld from such payment of interest is imposed, levied or assessed against the Issuer or the Principal Paying Agent (including any liability for failure to properly comply with any tax reporting or filing obligations) or if for any other reason any cost relating to such failure to withhold falls to be borne by the Issuer or the Principal Paying Agent, the Class X Note Purchaser shall, within three Business Days of demand by the Issuer or the Principal Paying Agent (as applicable) indemnify the Issuer or the Principal Paying Agent (as applicable) against such liability or cost together with any interest, penalties and costs or expenses payable or incurred in connection with it (the "**Withholding Tax Liability**"); and
  - (ii) the Class X Note Purchaser authorises the Issuer and the Principal Paying Agent to set-off an amount equivalent to the Withholding Tax Liability from subsequent payments to the Class X Note Purchaser under the Purchased Notes.

#### 11.6 Stamp duty

- (a) On the Note Issuance Date, the Issuer shall account to HMRC for any stamp duty payable on the transfer of the Purchased Notes by the Placement Agents to the Class X Note Purchaser pursuant to the Initial Transfer.
- (b) As soon as reasonably practicable after the Note Issuance Date and, in any event, within 30 calendar days of the Note Issuance Date, the Issuer shall submit the relevant Initial Transfer to HMRC for stamping.
- (c) The Class X Note Purchaser and the Placement Agents shall co-operate with the Issuer in providing any information and any other assistance required to enable the Issuer to comply with its obligations under paragraphs (a) and (b) above.
- (d) As soon as reasonably practicable following receipt of the stamped Initial Transfer from HMRC,
  - (i) the Issuer shall provide the stamped Initial Transfer to the Registrar for the purposes of the Registrar entering the Class X Note Purchaser as the registered holder of the Purchased Notes in the register maintained by the Registrar in relation to the Notes and shall notify the Class X Note Purchaser thereof; and
  - (ii) the Class X Note Purchaser shall provide the Registrar such evidence and information as the Registrar, the Principal Paying Agent or the Issuer may reasonably require:
    - (1) to prove the title of the transferor and the authority of the persons who have executed the form of transfer;

- (2) to comply with "know your customer" or similar identification procedures;
  - (3) to comply with its obligations under FATCA and any other Tax Information Arrangement;
  - (iii) the Class X Note Purchaser shall provide the Registrar the appropriate contact and notice details (including relevant addresses and e-mail addresses) and payment instructions of the Class X Note Purchaser; and
  - (iv) the Class X Note Purchaser shall provide the Registrar a properly executed applicable United States Internal Revenue Service Form W-8BEN (or the applicable alternative or successor form) or such other qualifying information as is necessary to establish whether the beneficial owner of the Purchased Notes is a United States person for FATCA purposes.
- (e) The cost of the amount of stamp duty to be paid by the Issuer on the Note Issuance Date pursuant to paragraph (a) above will be passed on to the Seller through a reduction in the consideration payable by the Issuer for the acquisition of the Portfolio on the Note Issuance Date.

#### 11.7 **Termination**

The Class X Note Purchaser will have the right to terminate the Class X Note Purchase Agreement if all of the conditions precedent to the purchase of the Purchased Notes have not been satisfied (or waived by the Class X Note Purchaser) immediately prior to the issuance of the Class X Notes on the Note Issuance Date.

Without prejudice to the Class X Note Purchaser's right to terminate set out above, the Class X Note Purchase Agreement will terminate on the earlier to occur of (i) the date on which the Class X Note Purchaser ceases to be a Class X Noteholder, (ii) redemption in full of the Purchased Notes in accordance with the Conditions thereof or (iii) the extinguishing of the Noteholders' right to receive further amounts in respect of the Purchased Notes.

#### 11.8 **Governing law**

English law. Disputes under each Class X Note Purchase Agreement will be subject to the jurisdiction of the English courts.

## CREDIT STRUCTURE

The structure of the credit support arrangements may be summarised as follows:

### 1. AVAILABLE FUNDS

Available Receipts will be calculated as at each Determination Date for the purposes of determining, *inter alia*, the amount to be applied under the Pre-Acceleration Priority of Payments on the immediately following Distribution Date.

The amount to be applied under the Pre-Acceleration Priority of Payments will vary during the life of the transaction as a result of possible variations in the amount of Receipts and certain costs and expenses of the Issuer. The amount of Receipts received by the Issuer will vary during the life of the Notes as a result of the level of defaults, Borrower earnings, inflation, repayments and voluntary repayments in respect of, *inter alia*, the Transferred Loans.

Available Receipts will be paid to the persons entitled thereto (or a relevant provision made) in accordance with the applicable Priority of Payments. It is not intended that any surplus will be accumulated in the Issuer Bank Accounts (other than amounts standing to the credit of the Note A2 Cash Account up to an amount equal to the Class A2 Principal Amount, the Expense Account up to an amount equal to the Expense Account Required Amount and the Issuer Retained Amount).

In certain circumstances, some or all of the amount of interest due from the Issuer to the Class B Noteholders on a Distribution Date may not be paid and instead capitalised, without such non-payment resulting in an Event of Default.

Interest may not be deferred or capitalised on the Class A Notes, or the Class B Notes once the Class A Notes have been redeemed in full and any such deferral or capitalisation will result in an Event of Default (see the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 4.10 (Interest Shortfall)*" for further details).

Failure to pay interest on the Class A Notes (or the Class B Notes after the Class A Notes have been redeemed in full) shall constitute an Event of Default which may result in the Security Trustee enforcing the Security (subject to applicable cure periods).

If, on any Distribution Date, there are insufficient Available Receipts to pay any interest then due and payable in respect of the Class X Notes, such amounts will not be deferred and shall cease to be due and payable without such non-payment resulting in an Event of Default.

### 2. PRE-ACCELERATION PRIORITY OF PAYMENTS

Prior to the Note Trustee serving an Acceleration Notice on the Issuer, Available Receipts will, pursuant to the Conditions and Note Trust Deed, be applied as of each Distribution Date in accordance with the Pre-Acceleration Priority of Payments as set out in Condition 2.3 (*Pre-Acceleration Priority of Payments*).

The amount of principal and interest payable under the Notes on each Distribution Date will depend primarily on the amount of Receipts received by the Issuer on the MS Payment Date preceding such Distribution Date and certain costs and expenses of the Issuer. See the section of this Prospectus entitled "*Terms and Conditions of the Notes — Condition 2.3 (Pre-Acceleration Priority of Payments)*" for further details.

### 3. POST-ACCELERATION PRIORITY OF PAYMENTS

Following delivery by the Note Trustee of an Acceleration Notice and prior to the full discharge of the Secured Obligations, any amounts payable by the Issuer or, in the case of enforcement of the Security by the Security Trustee will be paid to, or to the order of, the Note Trustee to be applied in accordance with the Post-Acceleration Priority of Payments set out in Condition 2.4 (*Post-Acceleration Priority of Payments*). See the section of this Prospectus entitled "*Terms*



*and Conditions of the Notes — Condition 2.4 (Post-Acceleration Priority of Payments)*" for further details.

#### 4. **INTEREST SHORTFALLS**

In certain circumstances, some or all of the amount of interest due from the Issuer to the Class B Noteholders on a Distribution Date may not be paid and will instead be added to the Note Principal Amount of such Notes then Outstanding and shall bear interest in subsequent Interest Periods at the Interest Rate then applicable to the Class B Notes, without such non-payment resulting in an Event of Default (subject to the below). Deferral in this manner is permitted until the Maturity Date, at which point, all such deferred amounts (including interest thereon) will become due and payable.

Interest may not be capitalised or otherwise deferred on the Class A Notes or on the Class B Notes once the Class A Notes have been redeemed in full and any such capitalisation or deferral will result in an Event of Default (subject to applicable cure periods).

Any shortfall in payments of interest on the Class X Notes will not be deferred, such amounts shall cease to be payable, and this will not constitute an Event of Default. If there is insufficient money available to the Issuer to pay interest on the Class X Notes on the Maturity Date, then the relevant Noteholders may not receive all interest amounts.

#### 5. **CREDIT ENHANCEMENT**

##### **Class A1 Notes**

Prior to the service by the Note Trustee of an Acceleration Notice, interest payments on the Class A1 Notes have the benefit of credit enhancement provided through the subordination of principal payments on the Class A Notes, the Class B Notes and the Class X Notes and interest payments on the Class B Notes and the Class X Notes.

Prior to the service by the Note Trustee of an Acceleration Notice, principal payments on the Class A1 Notes have the benefit of credit enhancement provided through the subordination of principal payments on the Class B Notes and the Class X Notes. However, in the event of a Test A Breach which is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.

Following the service by the Note Trustee of an Acceleration Notice, the Class A1 Notes have the benefit of credit enhancement provided through the subordination, both as to payment of principal and interest and on enforcement of the Security, of the Class B Notes and the Class X Notes.

##### **Class A2 Notes**

Prior to the service by the Note Trustee of an Acceleration Notice, interest payments on the Class A2 Notes have the benefit of credit enhancement provided through the subordination of principal payments on the Class A Notes, the Class B Notes and the Class X Notes and interest payments on the Class B Notes and the Class X Notes.

Prior to the service by the Note Trustee of an Acceleration Notice, payments of Class A2 Note Amortisation Amounts have the benefit of credit enhancement provided through the subordination of principal payments on the Class A1 Notes, the Class B Notes and the Class X Notes. However, in the event of a Test A Breach that is continuing, Available Receipts will be allocated to the Class A1 Notes and the Class A2 Notes.

Following the service by the Note Trustee of an Acceleration Notice, the Class A2 Notes have the benefit of credit enhancement provided through the subordination, both as to payment of principal and interest and on enforcement of the Security, of the Class B Notes and the Class X Notes.

**Class B Notes**

Prior to the service by the Note Trustee of an Acceleration Notice, interest payments on the Class B Notes have the benefit of credit enhancement provided through the subordination of principal payments on the Class A1 Notes (assuming there has been no Test A Breach which is then continuing), the Class B Notes and the Class X Notes and interest payments on the Class X Notes.

Principal payments on the Class B Notes have the benefit of credit enhancement provided through the subordination of principal payments on the Class X Notes.

Following the service by the Note Trustee of an Acceleration Notice, the Class B Notes have the benefit of credit enhancement provided through the subordination, both as to payment of principal and interest and on enforcement of the Security, of the Class X Notes.

**Class X Notes**

The Class X Notes shall bear interest at a fixed rate of 0.5%, 0.25% (if the Test B First Threshold applies) or 0% (if the Test B Second Threshold applies) plus profit participating interest representing Available Receipts remaining available for application on each Distribution Date after all other amounts have been paid or provided for in accordance with the applicable Priority of Payments.

The Test B First Threshold or Test B Second Threshold will apply in respect of a Distribution Date if the Available Receipts (excluding item (c) of the definition of Available Receipts) are less than the relevant applicable threshold amounts for such Distribution Date.

## CASH FLOWS

### CASH RECEIPT ARRANGEMENTS

The Master Servicer will, on the applicable MS Payment Date, transfer Receipts on the Transferred Loans to the Issuer Transaction Account. The arrangements for collecting payments are described below in the section "*Servicing and Processing of ICR Loans*".

#### Available Receipts

As used in this Prospectus, references to "**Available Receipts**" means, for any Distribution Date (without double-counting):

- (a) all Receipts in respect of the Transferred Loans received by the Issuer during the applicable immediately preceding MS Payment Date, plus any Underpayment Amounts received from the Seller (together with any interest thereon calculated at a rate equal to the lower of the Index Rate and the Interest Rate Cap) including:
  - (i) PAYE Receipts, being receipts received through the pay as you earn tax receipt system operated by HMRC through which employers make tax and National Insurance deductions from employees' salaries for remittance to HMRC;
  - (ii) Direct Receipts, being receipts received in the form of cheques, wire transfers, standing orders, wire transfers, direct debits, or debit or credit card payments other than through the UK Tax System; and
  - (iii) Self-Assessment Receipts, being receipts received in respect of a Borrower's assessment to UK income tax (other than collected through PAYE),but excluding, for the avoidance of doubt, any Excess Customer Book Repayments;
- (b) any interest received by the Issuer on the Issuer Bank Accounts since the Determination Date immediately preceding the last Distribution Date;
- (c) the amounts available in the Note A2 Cash Account on the Determination Date immediately preceding the relevant Distribution Date, provided that, if the Class A2 Notes are Outstanding, such amounts may only be used to cover item (h) of the Pre-Acceleration Priority of Payments on such Distribution Date;
- (d) the amounts available in the Expense Account on the Determination Date immediately preceding the relevant Distribution Date, provided that such amounts may only be used to cover items (b) and (c) of the Pre-Acceleration Priority of Payments to the extent funds available under the Issuer Transaction Account on the relevant Distribution Date are insufficient to cover the payment of such amounts;
- (e) payments received from the Seller in respect of breach of any Loan Warranty since the Determination Date immediately preceding the last Distribution Date and in respect of the Repurchase Price paid for any repurchase of Teacher Forgiveness Loans since the Determination Date immediately preceding the last Distribution Date;
- (f) all Compensation Payments received by the Issuer under the Loan Sale Agreement on the immediately preceding MS Payment Date;
- (g) all amounts advanced to the Issuer under the Fees Shortfall Loan;
- (h) on the Maturity Date or, if earlier, the date of repayment in full of the Notes, amounts standing to the credit of the Expense Account; and

- (i) other net income of the Issuer received since the Determination Date immediately preceding the last Distribution Date or, in relation to the first Distribution Date, since (but excluding) the Note Issuance Date without double-counting.

**Application of Available Receipts prior to the Service of an Acceleration Notice on the Issuer**

On each Distribution Date prior to the service of an Acceleration Notice on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply, or provide for the application of, the Available Receipts in the following order of priority (the "**Pre-Acceleration Priority of Payments**"):

- (a) amounts payable in respect of taxes by the Issuer and Issuer Retained Amount;
- (b) *pari passu* with each other on a *pro rata* basis any fees, costs, amounts in respect of taxes (including VAT), expenses, indemnity payments and other amounts due and payable to the Note Trustee and the Security Trustee under the Transaction Documents in an amount up to the Senior Expenses Cap;
- (c) to pay *pari passu* with each other on a *pro rata* basis (according to the respective amounts due and payable), the Issuer Expenses in an amount up to, taking into account payment of any amounts in (b) above, the Senior Expenses Cap;
- (d) to credit the Expense Account so that the balance standing to the credit of the Expense Account is equal to the Expense Account Required Amount, but only to the extent that all payments made in relation to (b), (c) and (d) shall not exceed the Senior Expenses Cap;
- (e) to the Master Servicer in payment of the Servicing Fee;
- (f) *pro rata* and *pari passu*, to the Fees Shortfall Lenders, amounts of interest and principal payable under the Fees Shortfall Loan (if any);
- (g) *pro rata* and *pari passu* amounts of interest payable in respect of the Class A1 Notes and the Class A2 Notes;
- (h) *pro rata* and *pari passu* the aggregate Class A2 Note Amortisation Amounts in respect of such Distribution Date;
- (i) to the Master Servicer in payment of any Overpayment Amounts;
- (j) on and following the occurrence of a Test A Breach that is continuing, in the following order of priority:
  - (i) *pro rata* and *pari passu* amounts of principal payable in respect of the Class A1 Notes; and
  - (ii) if the Class A2 Notes have not been repaid in full, in an amount equal to the Note A2 Cash Account Target into the Note A2 Cash Account;
- (k) *pro rata* and *pari passu* amounts of interest payable in respect of the Class B Notes;
- (l) *pro rata* and *pari passu* amounts of fixed interest payable in respect of the Class X Notes;
- (m) *pro rata* and *pari passu* amounts of principal payable in respect of the Class A1 Notes until repaid in full;
- (n) if the Class A2 Notes have not been repaid in full, in an amount equal to the Note A2 Cash Account Target into the Note A2 Cash Account (to the extent that such amounts have not been discharged by prior items in this Pre-Acceleration Priority of Payments);
- (o) *pro rata* and *pari passu* amounts of principal payable in respect of the Class B Notes until repaid in full;

- (p) to pay *pari passu* with each other on a *pro rata* basis (according to the respective amounts due and payable), any Issuer Expenses to the extent such amounts have not been discharged by prior items in this Pre-Acceleration Priority of Payments;
- (q) *pro rata* and *pari passu* amounts of principal payable to the Class X Noteholder until the Class X Principal Amount is equal to the Class X Final Redemption Amount; and
- (r) to pay:
  - (i) *first*, on the final Distribution Date, *pro rata* and *pari passu*, the Class X Final Redemption Amount; and
  - (ii) *second*, *pro rata* and *pari passu*, all remaining excess to the Class X Noteholders as the Class X Note Profit Participating Interest Amount.

#### **Distribution of Available Receipts following the Service of an Acceleration Notice on the Issuer**

Following the service of an Acceleration Notice on the Issuer the Security Trustee will apply, or provide for the application of, all amounts received or recovered (including, for the avoidance of doubt, on enforcement of the Security) in the following order of priority (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Priority of Payments, the "**Priorities of Payments**" and each a "**Priority of Payments**"), and in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full:

- (a) amounts payable in respect of taxes by the Issuer and the Issuer Retained Amount;
- (b) *pari passu* with each other on a *pro rata* basis any fees, costs, amounts in respect of taxes (including VAT), expenses, indemnity payments and other amounts due and payable to the Note Trustee and the Security Trustee under the Transaction Documents and any Receiver, manager, administrative receiver or other Appointee under the Transaction Documents appointed in respect of the Issuer;
- (c) *pari passu* with each other on a *pro rata* basis, the Issuer Expenses;
- (d) to the Master Servicer the Servicing Fee;
- (e) to the Master Servicer in payment of any Overpayment Amounts;
- (f) *pro rata* and *pari passu*, to the Fees Shortfall Lenders, amounts of interest and principal payable under the Fees Shortfall Loan (if any);
- (g) *pro rata* and *pari passu* amounts of interest payable in respect of the Class A Notes;
- (h) *pro rata* and *pari passu* amounts of principal payable in respect of the Class A Notes until repaid in full;
- (i) *pro rata* and *pari passu* amounts of interest payable in respect of the Class B Notes;
- (j) *pro rata* and *pari passu* amounts of principal payable in respect of the Class B Notes until repaid in full;
- (k) *pro rata* and *pari passu* amounts of fixed interest payable in respect of the Class X Notes;
- (l) *pro rata* and *pari passu* amounts of principal payable in respect of the Class X Notes until the Class X Principal Amount is equal to the Class X Final Redemption Amount; and
- (m) to pay:
  - (i) *first*, on the final Distribution Date, *pro rata* and *pari passu*, the Class X Final Redemption Amount; and

- (ii) *second, pro rata and pari passu*, all remaining excess to the Class X Noteholders as the Class X Note Profit Participating Interest Amount.

## DESCRIPTION OF THE NOTES IN GLOBAL FORM

Each Class of Notes (other than the Class X Notes) will initially be issued in global registered form in an aggregate principal amount equal to the Note Principal Amount for such Class.

The Global Notes will be held under the NSS and will be deposited with and registered in the name of the Common Safekeeper as nominee for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee as the owner of each Global Note.

Upon confirmation by the Common Safekeeper that it has custody of the Global Notes, the relevant Clearing Systems will record in book-entry form interests representing beneficial interests in such Global Notes ("**Book-Entry Interests**"). See "*Risk Factors – Transaction Structure - Book-Entry Interests in respect of the Notes*" above.

Holders of Book-Entry Interests in the Global Note will be entitled to receive Notes in definitive registered form (such as exchanged notes, "**Definitive Notes**") in the minimum denomination of £100,000 or a higher integral multiple of £1,000, in exchange for their respective holdings of Book-Entry Interests if any of the following events occurs (each an "**Exchange Event**"):

- (a) any relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs; or
- (c) as a result of any amendment to, or change in (A) the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or (B) the interpretation or administration of such laws or regulations, which becomes effective on or after the Note Issuance 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.

Any Definitive Notes issued in exchange for Book-Entry Interests in any Global Note will be registered by the Registrar in such name or names as the Issuer and the Common Safekeeper shall instruct the Registrar (based on the instructions of the relevant Clearing System(s)). It is expected that such instructions will be based upon directions received by the relevant Clearing Systems 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 any Global Note will not be entitled to exchange such Definitive Notes for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be issued in a minimum denomination of £100,000 and a higher integral multiple of £1,000.

So long as the Notes of any Class are represented in their entirety by any Global Note held on behalf of any Clearing System, instead of publication in newspaper(s) in accordance with the Condition, notices to the relevant Noteholders may be given by delivery of the relevant notice to the relevant Clearing System for communication by them to such Noteholders. Any such notice shall be deemed to have been given to the relevant Noteholders on the day on which said notice was given to the relevant Clearing System.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes in the form (subject to amendment) in which they will be set out in the Note Trust Deed (as defined below).*

### Terms and Conditions of the Notes

The secured notes of Income Contingent Student Loans 1 (2002-2006) plc (the "**Issuer**") will be issued on or about 13 December 2017 (the "**Note Issuance Date**") and consist of the GBP 810,573,000 Class A1 Asset Backed Floating Rate Notes due 2056 (the "**Class A1 Notes**"), the GBP 697,057,000 Class A2 Asset Backed Fixed Rate Notes due 2056 (the "**Class A2 Notes**" and together with the Class A1 Notes, the "**Class A Notes**"), the GBP 120,610,000 Class B Asset Backed Index Linked Notes due 2056 (the "**Class B Notes**", and together with the Class A Notes, the "**Offered Notes**") and the GBP 1,919,125,000 Class X Asset Backed Notes due 2056 (the "**Class X Notes**", together with the Class A1 Notes, the Class A2 Notes and the Class B Notes, each being a "**Class**", the "**Notes**").

Application has been made to the UK Listing Authority for the Offered Notes to be admitted to the Official List and to the London Stock Exchange for the Offered Notes to be admitted to trading on its regulated market.

The Notes are constituted by a note trust deed dated the Note Issuance Date (the "**Note Trust Deed**" as amended, restated, modified, varied, supplemented, novated or replaced from time to time) between the Issuer and Citicorp Trustee Company Limited as note trustee (the "**Note Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Note Trust Deed). The Notes will have the benefit of an agency agreement dated the Note Issuance Date (the "**Agency Agreement**" as amended, restated, modified, varied, supplemented, novated or replaced from time to time) between the Issuer, the Note Trustee and the Security Trustee with Citibank N.A., London Branch as principal paying agent, calculation agent and registrar (the "**Principal Paying Agent**", the "**Calculation Agent**" and the "**Registrar**" together the "**Agents**", which expression includes any successor principal paying agent, calculation agent or registrar appointed from time to time in connection with the Notes).

These conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the following agreements, each dated the Note Issuance Date and as amended, restated, modified, varied, supplemented, novated or replaced from time to time: the Note Trust Deed (which includes the forms of the Notes), the Agency Agreement and an English law deed of charge (the "**Deed of Charge**") between, among others, the Issuer and Citicorp Trustee Company Limited as security trustee (the "**Security Trustee**"). Copies of the Note Trust Deed, the Deed of Charge, the Agency Agreement, the Loan Sale Agreement, the Master Servicing Agreement, the Cash Management Agreement, the Issuer Bank Account Agreement, the Issuer Power of Attorney and the Master Definitions and Construction Agreement are available for inspection during usual business hours at the Specified Office of the Principal Paying Agent.

The holders of the Notes (the "**Noteholders**") are entitled to the benefit of the Note Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Note Trust Deed, the Deed of Charge and the Agency Agreement.

#### 1. **FORM, DENOMINATION AND TITLE**

##### 1.1 **Form**

- (a) Each Class of Notes (other than the Class X Notes) will initially be issued and represented by a global note certificate in registered form (a "**Global Note**") in an aggregate principal amount equal to the Note Principal Amount for such Class. The Class X Notes will be issued in registered definitive form (a "**Definitive Note**"), provided that the aggregate principal amount of all Definitive Notes for the Class X Notes issued on the Note Issuance Date may not exceed the Note Principal Amount for the Class X Notes.



- (b) For so long as any of the Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of the relevant Clearing Systems. Each Global Note will be held under the NSS and will be deposited with and registered in the name of a nominee of one of the Clearing Systems acting as Common Safekeeper.
- (c) For so long as any of the Notes are represented by a Global Note, and for so long as the relevant Clearing Systems so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000.
- (d) A Global Note will be exchangeable for the relevant Note in definitive registered form in the denomination of £100,000 or a higher integral multiple of £1,000, if an Exchange Event occurs.
- (e) If Definitive Notes are issued in respect of Notes following an Exchange Event, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for Definitive Notes of the relevant Class of Notes. The aggregate principal amount of the Definitive Notes shall be equal to the Note Principal Amount of the Notes Outstanding at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Note Trust Deed, the relevant Global Note and the relevant rules and procedures of the relevant Clearing Systems for the time being.
- (f) Definitive Notes will be serially numbered and will be issued in registered form only.
- (g) In relation to the Offered Notes, the aggregate nominal amount of each Class represented by the relevant Global Note shall be the aggregate amount from time to time entered in the records of the relevant Clearing Systems. Absent errors, the records of the relevant Clearing Systems (meaning the records that the relevant Clearing System holds for its customers which reflect the amount of such customer's interest in the relevant Class) shall be conclusive evidence of the aggregate nominal amount of each Class represented by the relevant Global Note and, for these purposes, a statement issued by the relevant Clearing System stating the aggregate nominal amount of the Notes so represented at any time shall be conclusive evidence of the records of the relevant Clearing Systems at that time.
- (h) On any redemption or payment of interest being made in respect of any Class when represented by a Global Note, the Issuer shall procure that details of any such redemption or payment (as the case may be) shall be entered *pro rata* in the records of the relevant Clearing Systems and, upon any such entry being made, the aggregate nominal amount of such Class recorded in the records of the relevant Clearing Systems and represented by the applicable Global Note shall be reduced by the aggregate nominal amount of such Class so redeemed.

## 1.2 Denomination

The Notes will be issued in a minimum denomination of £100,000 and integral multiples of £1,000 in excess thereof.

## 1.3 Title

Title to each Global Note shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. Title to a Definitive Note shall only pass by and upon registration of the transfer in the Register.

The registered holder of a Global Note or Definitive Note may (to the fullest extent permitted by applicable laws or except as ordered by a court of competent jurisdiction and subject to Condition 1.6 (*Transfers of Class X Notes*)) be deemed and treated at all times, by all persons

and for all purposes (including the making of any payments), as the absolute owner of such Global Note or Definitive Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer). Notwithstanding the above, so long as any Class of Notes is represented by a Global Note, the terms "**Noteholders**" or "**Holders**" will include the persons then set out in the records of the relevant Clearing Systems, as the holders of a particular principal amount of such Notes (each an "**Accountholder**") for all purposes other than in respect of the payment of principal and interest on such Class of Notes, the right to which will be vested as against the Issuer solely in the holder of each Global Note in accordance with and subject to its terms.

#### 1.4 **Deemed Representation Regarding U.S. Risk Retention**

Each purchaser of a Note or a beneficial interest in a Note acquired in the initial distribution of the Notes (other than the Placement Agents, the Arranger, the Joint Lead Managers and the Joint Bookrunners), by its acquisition of a Note or a beneficial interest therein, will be deemed to represent to the Issuer, the Seller, the Note Trustee, the Arranger, the Joint Lead Managers, the Joint Bookrunners and the Placement Agents that it (1) is not a "U.S. person" as defined in the U.S. Risk Retention Rules (a "**Risk Retention U.S. Person**") and is not acquiring the Notes (or a beneficial interest therein) for the account or benefit of Risk Retention U.S. Persons, (2) it is not acquiring such Notes (or a beneficial interest therein) with a view to distribution of such Notes, and (3) is not acquiring such Notes or beneficial interest in such Note as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring the Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent Risk Retention U.S. Person limitation in the exemption provided for in Section 1.20 of the U.S. Risk Retention Rules). Notwithstanding the foregoing, the Seller may agree that a portion of the Notes may be sold to, or for the account or benefit of, Risk Retention U.S. Persons in accordance with the exemption under Section 1.20 of the U.S. Risk Retention Rules and such Risk Retention U.S. Persons to whom such Notes are sold, or for whose account or benefit such Notes are sold, will not be deemed or required to make the representations in (1) and (3) above.

#### 1.5 **Transfers**

Subject to Condition 1.6 (*Transfers of Class X Notes*) in respect of the Class X Notes, no transfer of a Definitive Note or Global Note will be valid unless entered on the Register. No transfer of a Definitive Note or Global Note will be registered during the period from (and including) the Record Date to (and including) the immediately following Distribution Date. No transfer of a Definitive Note representing Class X Notes will be entered on the Register unless and until the Registrar receives a duly stamped transfer (such transfer to be stamped by HMRC at the request and cost of the transferee or, in the case of an Initial Transfer, at the request and cost of the Issuer). Definitive Notes and Global Notes may be transferred upon the surrender of the relevant Definitive Note or Global Note, with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 1.2 (*Denomination*) above. In respect of a Definitive Note representing Class X Notes, the duly completed and executed form of transfer delivered to the Specified Office of the Registrar must have been duly stamped by HMRC at the request and cost of the transferee or, in the case of an Initial Transfer, at the request and cost of the Issuer. All transfers of Definitive Notes and Global Notes are subject to any restrictions on transfer set out on the Definitive Notes or Global Note, as applicable and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Note or Global Note to be issued upon transfer of such Definitive Note or Global Note will, within five Business Days (1) in respect of a Definitive Note or Global Note representing the Offered Notes, of receipt and surrender of such Definitive Note or Global Note (duly completed and executed) for transfer or (2) in respect of a Definitive Note representing the Class X Notes, receipt and surrender of such Definitive Note accompanied by a duly stamped transfer (such transfer to be stamped by HMRC at the request and cost of the transferee or, in the case of an Initial Transfer, at the request and cost of the Issuer), be

available for delivery at the Specified Office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Note or Global Note to such address as may be specified in the relevant form of transfer.

Registration of a transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be levied or imposed in relation to it.

While the Notes are represented by the relevant Global Note, interests in the Notes will be transferable only in accordance with the rules and procedure for the time being of the relevant Clearing Systems.

## 1.6 Transfers of Class X Notes

Subject to Condition 1.5 (*Transfers*) above, in the case of transfers of any Class X Notes or any beneficial interests therein by any holder of the Class X Notes (other than the Placement Agents), the delivery to the Issuer, the Seller and the Note Trustee of a duly executed investor representation letter in the form set out in the Note Trust Deed (a "**Class X Note Investor Representation Letter**") from the relevant transferee is a condition precedent to the transfer of such Class X Note or any beneficial interests therein. The Class X Note Investor Representation Letter must be duly executed by such proposed transferee or such proposed transferee's attorney duly authorised in writing, at least 2 Business Days prior to the date the form of transfer endorsed on such Class X Note is duly completed and executed. Any attempted transfer in which the Class X Note Investor Representation Letter and the proposed transfer was not effected in accordance with the foregoing procedures shall not be valid or binding on the Issuer. In addition, if any Agent subsequently determines or is subsequently notified by the Issuer that: (i) a transfer or attempted or purported transfer of any interest in a Class X Note was completed in compliance with the provisions of this Condition 1.6 (*Transfers of Class X Notes*) on the basis of an incorrect form of certification from the transferee or purported transferee as set forth in the relevant Class X Note Investor Representation Letter; (ii) the holder of any interest in a Class X Note was in breach, at the time given, of any representation or agreement set forth in any Class X Note Investor Representation Letter or any deemed representation or agreement of such holder; or (iii) a transfer or attempted transfer of any interest in a Class X Note was completed which did not comply with the transfer restrictions set forth in this Condition 1.6 (*Transfers of Class X Notes*) the purported transfer shall be absolutely null and void *ab initio* and shall vest no rights in the purported transferee (such purported transferee, a "**Disqualified Transferee**") and the last preceding holder of such interest that was not a Disqualified Transferee shall be restored to all rights as a holder thereof retroactively to the date of transfer of such interest by such holder. The Agent shall notify the Registrar and the Issuer of the identity of the Disqualified Transferee in accordance with the Agency Agreement and the Registrar shall update the Register accordingly.

## 2. STATUS, SECURITY AND PRIORITY

### 2.1 Status and relationship between the Classes of Notes

The Notes constitute direct, secured and (subject to Condition 2.5 (*Limited recourse and non petition*)) unconditional obligations of the Issuer. The obligations of the Issuer under the Class A1 Notes rank *pari passu* amongst themselves without priority or preference. The obligations of the Issuer under the Class A2 Notes rank *pari passu* amongst themselves without priority or preference. Following the service by the Note Trustee of an Acceleration Notice (as defined in Condition 12 (*Events of Default*)), the obligations of the Issuer under the Class A Notes rank against all other current and future obligations of the Issuer in accordance with the Post-Acceleration Priority of Payments. The obligations of the Issuer under the Class B Notes rank *pari passu* amongst themselves without priority or preference, but subordinate to the Class A Notes, as provided in these Conditions and the Transaction Documents. Following the service by the Note Trustee of an Acceleration Notice, the obligations of the Issuer under the Class B

Notes rank against all other current and future obligations of the Issuer in accordance with the Post-Acceleration Priority of Payments.

The obligations of the Issuer under the Class X Notes rank *pari passu* amongst themselves without priority or preference, but subordinate to the Class A Notes and the Class B Notes, as provided in these Conditions and the Transaction Documents. Following the service by the Note Trustee of an Acceleration Notice the obligations of the Issuer under the Class X Notes rank against all other current and future obligations of the Issuer in accordance with the Post-Acceleration Priority of Payments.

## 2.2 Security

Pursuant to the Deed of Charge, the Notes will be secured by, *inter alia*, the following security (the "**Security**"):

- (a) an assignment by way of first fixed security over the Issuer's rights, title, interest and benefit, present and future, in, under and to the Transferred Loans and all its powers related thereto;
- (b) an assignment by way of first fixed security of (and, to the extent not assignable, a first fixed charge over) the Issuer's rights, title, interest and benefit, present and future, in, under and to the Transaction Documents (other than the Subscription Agreement, the Note Trust Deed, the Class X Subscription Agreement and the Class X Note Purchase Agreements), including all rights to receive payment of any amounts which may become payable to the Issuer thereunder, all payments received by the Issuer thereunder and other related rights (including rights to serve notices, make demands, take steps required to cause payments to become due and payable, rights of action in respect of a breach and rights to receive damages or obtain relief);
- (c) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and to each Issuer Bank Account and all sums of money which may now be or hereafter are from time to time standing to the credit of the Issuer Bank Accounts and each other account (if any) in which the Issuer may have or may acquire any rights, title, interest or benefit, together with all interest accruing from time to time thereon;
- (d) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and to any Permitted Investment made on behalf of the Issuer and all monies, income and proceeds payable thereunder or accrued thereon and other related rights;
- (e) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and to the proceeds of any of the interests referred to in paragraphs (a) to (d) (inclusive) above; and
- (f) without prejudice to any fixed security, a floating charge over all the Issuer's undertaking, property, assets and rights (present and future).

## 2.3 Pre-Acceleration Priority of Payments

On each Distribution Date prior to the service of an Acceleration Notice on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply, or provide for the application of, the Available Receipts in the following order of priority (the "**Pre-Acceleration Priority of Payments**"):

- (a) amounts payable in respect of taxes by the Issuer and Issuer Retained Amount;
- (b) *pari passu* with each other on a pro rata basis any fees, costs, amounts in respect of taxes (including VAT), expenses, indemnity payments and other amounts due and

payable to the Note Trustee and the Security Trustee under the Transaction Documents in an amount up to the Senior Expenses Cap;

- (c) to pay *pari passu* with each other on a *pro rata* basis (according to the respective amounts due and payable), the Issuer Expenses in an amount up to, taking into account payment of any amounts in (b) above, the Senior Expenses Cap;
- (d) to credit the Expense Account so that the balance standing to the credit of the Expense Account is equal to the Expense Account Required Amount but only to the extent that all payments made in relation to (b), (c) and (d) shall not exceed the Senior Expenses Cap;
- (e) to the Master Servicer in payment of the Servicing Fee;
- (f) *pro rata* and *pari passu*, to the Fees Shortfall Lenders, amounts of interest and principal payable under the Fees Shortfall Loan (if any);
- (g) *pro rata* and *pari passu* amounts of interest payable in respect of the Class A1 Notes and the Class A2 Notes;
- (h) *pro rata* and *pari passu* the aggregate Class A2 Note Amortisation Amounts in respect of such Distribution Date;
- (i) to the Master Servicer in payment of any Overpayment Amounts;
- (j) on and following the occurrence of a Test A Breach that is continuing, in the following order of priority:
  - (i) *pro rata* and *pari passu* amounts of principal payable in respect of the Class A1 Notes; and
  - (ii) if the Class A2 Notes have not been repaid in full, in an amount equal to the Note A2 Cash Account Target into the Note A2 Cash Account;
- (k) *pro rata* and *pari passu* amounts of interest payable in respect of the Class B Notes;
- (l) *pro rata* and *pari passu* amounts of fixed interest payable in respect of the Class X Notes;
- (m) *pro rata* and *pari passu* amounts of principal payable in respect of the Class A1 Notes until repaid in full;
- (n) if the Class A2 Notes have not been repaid in full, in an amount equal to the Note A2 Cash Account Target into the Note A2 Cash Account (to the extent that such amounts have not been discharged by prior items in this Pre-Acceleration Priority of Payments);
- (o) *pro rata* and *pari passu* amounts of principal payable in respect of the Class B Notes until repaid in full;
- (p) to pay *pari passu* with each other on a *pro rata* basis (according to the respective amounts due and payable), any Issuer Expenses to the extent such amounts have not been discharged by prior items in this Pre-Acceleration Priority of Payments;
- (q) *pro rata* and *pari passu* amounts of principal payable to the Class X Noteholder until the Class X Principal Amount is equal to the Class X Final Redemption Amount; and
- (r) to pay:
  - (i) *first*, on the final Distribution Date, *pro rata* and *pari passu*, the Class X Final Redemption Amount; and

- (ii) *second, pro rata and pari passu*, all remaining excess to the Class X Noteholders as the Class X Note Profit Participating Interest Amount.

## 2.4 **Post-Acceleration Priority of Payments**

Following the service of an Acceleration Notice on the Issuer, the Security Trustee will apply, or provide for the application of, amounts received or recovered following the service of an Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) in the following order of priority (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Priority of Payments, the "**Priority of Payments**"), and in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full:

- (a) amounts payable in respect of taxes by the Issuer and the Issuer Retained Amount;
- (b) *pari passu* with each other on a *pro rata* basis any fees, costs, amounts in respect of taxes (including VAT), expenses, indemnity payments and other amounts due and payable to the Note Trustee and the Security Trustee under the Transaction Documents and any Receiver, manager, administrative receiver or other Appointee under the Transaction Documents appointed in respect of the Issuer;
- (c) *pari passu* with each other on a *pro rata* basis, the Issuer Expenses;
- (d) to the Master Servicer the Servicing Fee;
- (e) to the Master Servicer in payment of any Overpayment Amounts;
- (f) *pro rata and pari passu*, to the Fees Shortfall Lenders, amounts of interest and principal payable under the Fees Shortfall Loan (if any);
- (g) *pro rata and pari passu* amounts of interest payable in respect of the Class A Notes;
- (h) *pro rata and pari passu* amounts of principal payable in respect of the Class A Notes until repaid in full;
- (i) *pro rata and pari passu* amounts of interest payable in respect of the Class B Notes;
- (j) *pro rata and pari passu* amounts of principal payable in respect of the Class B Notes until repaid in full;
- (k) *pro rata and pari passu* amounts of fixed interest payable in respect of the Class X Notes;
- (l) *pro rata and pari passu* amounts of principal payable in respect of the Class X Notes until the Class X Principal Amount is equal to the Class X Final Redemption Amount; and
- (m) to pay:
  - (i) *first*, on the final Distribution Date, *pro rata and pari passu*, the Class X Final Redemption Amount; and
  - (ii) *second, pro rata and pari passu*, all remaining excess to the Class X Noteholders as the Class X Note Profit Participating Interest Amount.

## 2.5 **Limited recourse and non petition**

- (a) The Noteholders shall not be entitled to take any steps or proceedings which would result in the priority of payments as specified in the Priorities of Payments and Schedule 2 (*Post-Acceleration Priority of Payments*) of the Deed of Charge not being observed.

- (b) All payments to the Noteholders under the Notes and the other Transaction Documents shall be made in accordance with the Pre-Acceleration Priority of Payments and the Post-Acceleration Priority of Payments.
- (c) Without prejudice to the rights of the Seller to exercise the Fees Shortfall Repurchase Option pursuant to the Loan Sale Agreement and notwithstanding any other provision of the Transaction Documents, all obligations of the Issuer to the Secured Creditors in respect of the Secured Obligations owing to each such Secured Creditor (including all payment obligations of the Issuer under the Notes) are limited in recourse as set out below:
  - (i) in the event of non-payment of any sum due and payable to such Secured Creditor, that Secured Creditor's only remedy shall be the Security Trustee's enforcement of the Security in accordance with the provisions of the Deed of Charge and the other Transaction Documents or the Note Trustee pursuant to the Note Trust Deed; and
  - (ii) in the event that the net proceeds of enforcing and realising all the Security are (after application of the proceeds in accordance with the provisions of the Deed of Charge) insufficient to discharge in full all amounts then due and payable to such Secured Creditor, the Issuer's obligation in respect of the unpaid amount shall be automatically extinguished and such Secured Creditor shall have no further claim against the Issuer in respect of such unpaid amount.
- (d) The Security Trustee, the other Secured Creditors (or any other person acting on behalf of any of them) and each other party to the Transaction Documents shall not be entitled:
  - (i) to take any action or commence any proceedings against the Issuer to recover any amounts due and payable by the Issuer under the Transaction Documents (except for the Security Trustee or the Note Trustee as permitted pursuant to the Transaction Documents); or
  - (ii) to take any action or commence any proceedings or petition a court for the liquidation of the Issuer, nor enter into any arrangement, reorganisation or Insolvency Proceedings in relation to the Issuer whether under the laws of England and Wales or other applicable bankruptcy laws until two years and one day after the payment or extinguishment of all Secured Obligations of the Issuer.

## 2.6 Enforcement of the Security

- (a) The Notes are secured by the Security.
- (b) The Security will become enforceable upon delivery by the Note Trustee of an Acceleration Notice to the Issuer in accordance with Condition 12 (*Events of Default*) subject to the matters referred to in Condition 13 (*Proceedings*).
- (c) If the Security has become enforceable, subject to the Security Trustee being indemnified and/or secured and/or pre-funded to its satisfaction, the Security Trustee shall take such action as instructed in writing by the Instructing Secured Creditor to enforce its rights under the Deed of Charge.
- (d) Only the Security Trustee (acting on the instructions of the Instructing Secured Creditor) may pursue the remedies available under the Deed of Charge to enforce the rights of the Secured Creditors in respect of the Charged Property and no Secured Creditor is entitled to proceed against the Issuer unless the Security Trustee, having

become bound to do so, fails to take action within a reasonable time and such failure is continuing.

- (e) Having realised the Security and the Security Trustee having distributed the net proceeds in accordance with this Condition 2 (*Status, Security and Priority*), none of the Security Trustee, the Note Trustee, the Noteholders or any other Secured Creditor may take any further steps against the Issuer to recover any sums still unpaid (other than in relation to interest) and any such liability (other than in relation to interest) shall be extinguished.

## 2.7 **Obligations of the Issuer only**

The Notes represent obligations of the Issuer only and do not represent an interest in or obligation of the Seller, the Master Servicer, the Security Trustee, the Note Trustee, any other party to the Transaction Documents or any other third party.

## 3. **GENERAL COVENANTS OF THE ISSUER**

As long as any Notes are Outstanding, the Issuer shall not be entitled, without the prior consent of the Note Trustee, to engage in or undertake any of the activities or transactions specified in Clause 6 (*Negative pledge, disposals and security interests*) and Clause 7 (*Other covenants of general application*) of the Deed of Charge, and in particular the Issuer agrees not to:

### 3.1 **Negative pledge**

at any time prior to the Discharge Date, create or permit to subsist any Security Interest over any Charged Property other than pursuant to and in accordance with the Transaction Documents;

### 3.2 **No disposals**

at any time prior to the Discharge Date, assign, transfer, lend, lease, part with or otherwise dispose of (or agree, attempt or purport any of the foregoing in respect of) any Charged Property except as expressly permitted by the Transaction Documents (including Clause 13 (*Assignment*) of the Loan Sale Agreement);

### 3.3 **Dividends or distributions**

except with respect to any dividends payable to HoldCo arising from the Issuer Retained Amount on the Note Issuance Date or in accordance with the Priority of Payments, pay any dividend or make any other distribution or return or repay any equity capital to any shareholders, or increase its share capital save as required by applicable law;

### 3.4 **Subsidiaries**

have any subsidiaries or any employees or premises;

### 3.5 **Borrowings**

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of indebtedness or of any obligation of any person other than in respect of the Notes, save as provided in the Transaction Documents;

### 3.6 **Merge**

consolidate or merge with any other person or convey or transfer all or substantially all of its properties or assets to any other person;



3.7 **Activities**

engage in any activity whatsoever which is not necessary in connection with or incidental to issuing and performing its obligations under the Notes or any of the activities in which the Transaction Documents to which it is a party or the Notes provide or envisage that the Issuer will engage;

3.8 **Non-purchase by the Issuer**

purchase or otherwise acquire any of the Notes;

3.9 **Other**

amend, terminate, discharge, or exercise any powers of consent or waiver pursuant to the terms of these Conditions or the Transaction Documents to which it is a party, or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations thereunder, in each case, save as in accordance with these Conditions or the Transaction Documents; or

3.10 **No derivatives**

enter into any derivatives in connection with the Transaction or otherwise.

In giving any consent to the foregoing, the Note Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Note Trustee may determine.

The Note Trustee shall not be responsible for monitoring, nor liable for any failure to monitor compliance by the Issuer with the above covenants and will be entitled to rely upon certificates signed on behalf of the Issuer as to compliance.

4. **INTEREST**

4.1 **Interest calculation**

Subject to the limitations set forth in Condition 2.5 (*Limited recourse and non petition*) and, in particular, subject to the Pre-Acceleration Priority of Payments and, following the service by the Note Trustee of an Acceleration Notice, the Post-Acceleration Priority of Payments, each Note shall bear interest on its Note Principal Amount from (and including) the Note Issuance Date until (but excluding) the day on which such Note has been redeemed in full and, each Class X Note shall be entitled to profit participating interest representing all remaining excess after payments or provisions of a higher priority under the applicable Priority of Payments have been made in full.

4.2 **Distribution Dates**

Interest shall become due and payable annually in arrear on each Distribution Date.

4.3 **Interest Amount**

The amount of interest payable by the Issuer in respect of the Notes on any Distribution Date (other than the Class X Note Profit Participating Interest Amount) (the "**Interest Amount**") shall be calculated by applying the relevant Interest Rate (as defined in Condition 4.5 (*Interest Rate*)) for the relevant Interest Period (as defined in Condition 4.4 (*Interest Period*)) to the Note Principal Amount of the Notes, multiplying the result by the Day Count Fraction and rounding the result to the nearest GBP 0.01 (with GBP 0.005 being rounded upwards).

"**Class A1 Notes Interest**" means the aggregate Interest Amount payable (including any Interest Shortfall) in respect of all Class A1 Notes on any date, "**Class A2 Notes Interest**" means the aggregate Interest Amount payable (including any Interest Shortfall) in respect of

all Class A2 Notes on any date and "**Class B Notes Interest**" means the aggregate Interest Amount payable in respect of all Class B Notes on any date.

#### 4.4 **Interest Period**

"**Interest Period**" shall mean, in respect of the first Distribution Date, the period commencing on (and including) the Note Issuance Date and ending on (but excluding) the first Distribution Date and in respect of any subsequent Distribution Date, the period commencing on (and including) a Distribution Date and ending on (but excluding) the immediately following Distribution Date.

#### 4.5 **Interest Rate**

The interest rate payable on any Note for each Interest Period (not taking into account the Class X Note Profit Participating Interest Amount) (each, an "**Interest Rate**") shall be:

- (a) in the case of the Class A1 Notes, LIBOR plus 1.0% per annum;
- (b) in the case of the Class A2 Notes, 2.5% per annum;
- (c) in the case of the Class B Notes, 1.45% per annum plus the Index Rate; and
- (d) in the case of the Class X Notes, 0.5% per annum,

*provided that* the Interest Rate payable on the Class X Notes for each Interest Period (not taking into account the Class X Note Profit Participating Interest Amount) shall be:

- (i) 0.25 % per annum if the Test B First Threshold applies; and
- (ii) 0% per annum if the Test B Second Threshold applies.

#### 4.6 **Class X Note Profit Participating Interest Amount**

Each Class X Note shall also be entitled to the Class X Note Profit Participating Interest Amount on each applicable Distribution Date in accordance with the Pre-Acceleration Priority of Payments or the Post-Acceleration Priority of Payments, as applicable, to the extent any such amounts are available for application in accordance therewith.

#### 4.7 **Additional indexation provisions**

- (a) The Master Servicer shall at least two Business Days prior to the Determination Date determine the Index Rate for the next Interest Period and communicate this (together with the RPIs used for this determination) to the Calculation Agent and the Cash Manager. For any Interest Period (other than the first Interest Period) and the Distribution Date on which such Interest Period ends, the "**Index Rate**" shall be an amount equal to the sum of:

- (i) 5/12th of the percentage increase between RPI relating to the month of March falling four years prior to that Distribution Date and RPI relating to the month of March falling three years prior to that Distribution Date; and
- (ii) 7/12th of the percentage increase between RPI relating to the month of March falling three years prior to that Distribution Date and RPI relating to the month of March falling two years prior to that Distribution Date,

unless (i) such amount is zero or negative in which case the Index Rate shall be zero or (ii) such amount is greater than 5% in which case the Index Rate shall be 5%.

The Index Rate for the first Interest Period will be 1.31%.

- (b) If at any time and from time to time RPI is changed by the substitution of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, the definition of RPI shall be deemed to refer to such new base.
- (c) If RPI relating to any month (the "**relevant month**") which is required to be taken into account for the purposes of the determination of the Index Rate applicable for any date is not published on or before the fourteenth Business Day before the Determination Date, RPI relating to the relevant month shall be (1) such substitute rate of inflation (if any) as the Master Servicer (in consultation with the Indexation Adviser) considers to have been published by the Bank of England or, as the case may be, the United Kingdom Debt Management Office (or such other designated debt manager of Her Majesty's Treasury, from time to time) for the purposes of indexation of payments on the Index Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury stock selected by the Indexation Adviser (and approved by the Note Trustee); or (2) if no such determination is made by the Master Servicer (in consultation with such Indexation Adviser) within 7 days, the RPI used for the last determination of the Index Rate shall be used and notified to the Calculation Agent, the Cash Manager, the Issuer and the Note Trustee.
- (d) If a level for RPI has not been published or announced for three consecutive months of March or the Index Provider has announced that it will no longer continue to publish or announce RPI, then the Master Servicer shall promptly advise the Calculation Agent, the Cash Manager, the Issuer and the Note Trustee thereof and shall, in consultation with the Indexation Adviser, determine a successor inflation index prior to the next Determination Date to the extent practicable. In case no such successor inflation index can be determined by the Master Servicer before the next Determination Date, it shall notify the Calculation Agent, the Cash Manager, the Issuer and the Note Trustee and the RPI used for the last determination of the Index Rate shall be used for the purposes of the next Determination Date.

#### 4.8 **LIBOR determination**

LIBOR shall be determined by the Calculation Agent on the first day of the relevant Interest Period.

**"LIBOR"** (London Interbank Offered Rate) means:

- (a) for any Interest Period commencing on the Note Issuance Date and thereafter the rate for deposits in Sterling for a period of twelve months (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for 6 and 12 months deposit in Sterling), such reference rate shown on the first day of the relevant Interest Period (the "**Interest Determination Date**") at approximately 11:00 a.m. (London time) on Reuters page LIBOR01 and rounded down, if necessary, to a hundredth-thousandth of a percentage point (five digits after the decimal point), 0.0000005 shall be rounded up;
- (b) if Reuters page LIBOR01 is not available or if no such quotation appears thereon, in each case as at such time, the Calculation Agent shall determine LIBOR on the basis of such other screen rate the Calculation Agent shall determine in good faith; if no such screen rate is available, the Calculation Agent will request each of the Reference Banks to provide the Calculation Agent with its offered quotation to leading banks for twelve-month Sterling deposits (or, in respect of the first Interest Period for the Notes, the linear extrapolation of LIBOR for 12 month deposit in Sterling) of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such reference rates, LIBOR shall be the arithmetic mean (rounded up or down, if necessary, to a hundred thousandth of a per cent. (five digits after the decimal point), 0.000005 shall be rounded up) of such reference rates, all as

determined by the Calculation Agent; if LIBOR cannot be determined in accordance with the foregoing provisions, the LIBOR rate for the respective Interest Period shall equal the reference rate last shown prior to the Interest Determination Date on the aforementioned screen page,

in each case subject to a floor of zero.

If the agreed page is replaced or the service ceases to be available, the Issuer and the Calculation Agent may specify another page or service displaying the appropriate rate after consultation with each other.

#### 4.9 **Notifications**

The Calculation Agent shall, as soon as practicable on each Determination Date, and no later than four Business Days before the Distribution Date, determine the relevant Interest Shortfall (if any), Interest Rate and Interest Amount with respect to each Note and shall notify the Principal Paying Agent of these determinations. The Principal Paying Agent shall notify such information (i) to the Issuer, the Note Trustee, the Cash Manager and the Corporate Services Provider and (ii) on behalf of the Issuer, by means of notification in accordance with Condition 16 (*Notices to Noteholders*), to the Noteholders and, as long as any Notes are listed on the Official List and traded on the regulated market of the London Stock Exchange, to the London Stock Exchange. Any such notification shall be given no later than two Business Days before the Distribution Date.

The Calculation Agent shall, as soon as practicable on or after each Determination Date, also determine the Class X Note Profit Participating Interest Amount (if any) with respect to each Class X Note and shall notify the Principal Paying Agent thereof. The Principal Paying Agent shall notify such information (i) to the Issuer, the Note Trustee, the Cash Manager and the Corporate Services Provider and (ii) on behalf of the Issuer, by means of notification in accordance with Condition 16 (*Notices to Noteholders*) to the Noteholders, this notification shall be given no later than two Business Days before the Distribution Date.

#### 4.10 **Interest Shortfall**

Accrued interest not distributed on any Distribution Date related to the Interest Period in which it accrued, will be an "**Interest Shortfall**" with respect to the relevant Note. In respect of the Class B Notes (for so long as it is not the Senior Class then Outstanding) only, any such Interest Shortfall shall be added to the Note Principal Amount of the Class B Notes and interest will accrue on such Class B Notes Principal at the Interest Rate then applicable to the Class B Notes without such non-payment of interest to the Class B Notes resulting in an Event of Default.

#### 4.11 **Interest accrual**

Each Note (or in the case of redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from (and including) the date of its redemption in full unless, upon due presentation thereof, if applicable, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Note Trust Deed.

#### 4.12 **Determination or calculation by Note Trustee**

If for any reason at the relevant time the Calculation Agent defaults on its obligation to determine LIBOR or the Master Servicer defaults on its obligations to determine the Index Rate applicable to any payment of interest in respect of the Notes or defaults in its obligation to calculate any Interest Amount for any Interest Period(s), in accordance with this Condition 4 (*Interest*), the Note Trustee shall determine the Index Rate and/or LIBOR applicable to the relevant payment at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 4 (*Interest*)), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Note Trustee shall calculate the Interest

Amount(s) for the relevant period(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Note Trustee may rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each determination or calculation shall be deemed to have been made by the Calculation Agent (and, where practicable, in accordance with this Condition 4.12 (*Determination or calculation by Note Trustee*)). The Note Trustee shall have no liability to any person in connection with any determination or calculation it is required to make pursuant to this Condition.

## 5. REDEMPTION

### 5.1 Mandatory Redemption

On the Maturity Date, each Class A Note shall, unless previously redeemed or purchased and cancelled in full, be redeemed in full at its Note Principal Amount and, after all Class A Notes have been redeemed in full, each Class B Note shall, unless previously redeemed or purchased and cancelled in full, be redeemed in full at its Note Principal Amount and, after all Class B Notes have been redeemed in full, each Class X Note shall, unless previously redeemed or purchased and cancelled in full, be redeemed in full at its Note Principal Amount (including, on the final Distribution Date, by applying the Class X Final Redemption Amount in redemption on a *pari passu* and *pro rata* basis of each Class X Note), subject to the availability of funds pursuant to the Pre-Acceleration Priority of Payments. In the event of insufficient funds pursuant to the Pre-Acceleration Priority of Payments, any Outstanding Note shall be redeemed on the next Distribution Date and on any following Distribution Date in accordance with and subject to the limitations set forth in Condition 2.5 (*Limited recourse and non petition*) until each Note has been redeemed in full.

### 5.2 Scheduled Amortisation

On each Distribution Date prior to service of an Acceleration Notice and subject to the Pre-Acceleration Priority of Payments, each Class A2 Note shall, unless previously redeemed or purchased and cancelled in full, be redeemed in an amount equal to the Class A2 Note Amortisation Amounts.

### 5.3 Pass-through Amortisation

- (a) Each Class of Notes (other than the Class A2 Notes) shall, unless previously redeemed or purchased and cancelled in full and subject to Condition 5.4 (*Early redemption; UK Tax System or CCA Event*), Condition 5.5 (*Optional redemption for taxation reasons*), Condition 5.6 (*Redemption for indexation reasons*) or Condition 5.7 (*Optional redemption for Estimated Receipts*), be redeemed on each Distribution Date and prior to the service of an Acceleration Notice in an amount equal to the Available Receipts available for such purpose on such Distribution Date pursuant to the Pre-Acceleration Priority of Payment.
- (b) The principal amount redeemable in respect of each of the Notes (other than the Class A2 Notes) (the "**Note Principal Payment**") on any Distribution Date shall be the Available Receipts available for such purpose on the Distribution Date to be applied in redemption of that Class divided by the number of Notes in that Class in the relevant denomination then outstanding. With respect to each Note on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Distribution Date next following such Determination Date, (ii) the Note Principal Amount of each such Note and (iii) the fraction expressed as a decimal to the sixth decimal point (the "**Pool Factor**"), of which the numerator is the Note Principal Amount of that Note (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 Note Principal Amount of a Note and the Pool Factor shall in each case (in the absence of manifest error) be final and binding on all persons.

- (c) Following the service by the Note Trustee of an Acceleration Notice and subject to the limitations set forth in Condition 2.5 (*Limited recourse and non petition*) and the Post-Acceleration Priority of Payments, the Class A Notes and, after the Class A Notes have been redeemed in full, the Class B Notes and, after the Class B Notes have been redeemed in full, the Class X Notes, in this order sequentially, shall be redeemed on each Distribution Date. Each Note of a particular Class shall be redeemed on each Distribution Date in an amount equal to the redemption amount allocated to such Class divided by the number of Notes in such Class.

#### 5.4 **Early redemption; UK Tax System or CCA Event**

- (a) The Notes shall be redeemed early in full on any Distribution Date up to and including the Maturity Date if the Seller gives notice pursuant to (i) Clause 8.6 (*Repurchase; UK Tax System*) of the Loan Sale Agreement that repayments for all the Transferred Loans (excluding receipts in relation to Overseas Borrowers and those receipts which Borrowers have voluntarily moved to direct debit or another method of receipt) will cease to be made through the UK Tax System and that the Seller intends to repurchase all outstanding Transferred Loans or (ii) Clause 8.11 (*Repurchase; CCA Event*) of the Loan Sale Agreement that a CCA Event has occurred and that the Seller intends to repurchase all outstanding Transferred Loans.
- (b) If the Issuer receives notice from the Seller in accordance with Condition 5.4(a) above, the Issuer must give notice of any proposed repurchase of the Transferred Loans and the proposed redemption date (which shall be a Distribution Date) (the "**Early Redemption Date**") to the Note Trustee and the Noteholders in accordance with Condition 16 (*Notices to Noteholders*) as soon as practicable and at least 30 days prior to the Early Redemption Date).
- (c) In respect of Condition 5.4(a) above, the Issuer must apply the proceeds of such repurchase to redeem all (but not some only) of the Notes at their Redemption Amount on the Early Redemption Date.
- (d) Redemption of the Notes pursuant to this Condition 5.4 (*Early redemption; UK Tax System or CCA Event*) shall be made at the Redemption Amount and upon payment in full of such amounts to the Noteholders, the Noteholders shall not receive any further payments of interest on, or principal of, the Notes.

#### 5.5 **Optional redemption for taxation reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Date, on giving not less than 30 nor more than 60 days' notice to the Note Trustee and the Noteholders in accordance with Condition 16 (*Notices to Noteholders*) (which notice shall be irrevocable) at the Redemption Amount for such Notes if (i) the Issuer satisfies the Note Trustee immediately before the giving of such notice that it has or will become required by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Note Issuance Date to deduct or withhold, 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 having power to tax in respect of payments to Noteholders of any amounts due under the Offered Notes, and (ii) such event cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to so deduct or withhold were a payment in respect of the Offered Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 5.5 (*Optional redemption for taxation reasons*), the Issuer shall deliver to the Note Trustee a certificate signed by two directors of the Issuer stating that the event referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Note Trustee shall be entitled to accept such

certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 5.5 (*Optional redemption for taxation reasons*).

If the Issuer decides to fully fund the redemption of the Notes under this Condition 5.5 (*Optional redemption for taxation reasons*) through a sale of Transferred Loans, the aggregate sale price for such Transferred Loans shall be at least equal to an amount allowing all Notes to be redeemed at their Redemption Amount together with an amount necessary to satisfy all prior ranking payments (to such Notes) then due and payable on the relevant Distribution Date to be made in accordance with the applicable Priority of Payments. Any such sale of Transferred Loans will be subject to Clause 13 (*Assignment*) of the Loan Sale Agreement.

#### 5.6 **Redemption for indexation reasons**

Upon the occurrence of any Index Event (as defined below) which is continuing, the Issuer may, and shall if directed by the Note Trustee (acting on the instructions of the Senior Class then Outstanding), upon giving not less than 30 nor more than 60 days' notice to the Note Trustee and the holders of the Notes in accordance with Condition 16 (*Notices to Noteholders*), redeem all (but not some only) of the Notes on any Distribution Date at the Redemption Amount for such Notes. Before giving any such notice, the Issuer shall provide to the Note Trustee a certificate signed by two directors of the Issuer (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied and (b) confirming that the Issuer will have sufficient funds on such Distribution Date to effect such redemption. The Note Trustee shall be entitled to rely on such certificate without liability to any person.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 5.6 (*Redemption for indexation reasons*).

"**Index Event**" means any of the following:

- (a) if the Index Rate for two consecutive years fails to be determined on the basis of an Index Rate previously set as provided in Condition 4.7(c)(2) or 4.7(d) (*Additional indexation provisions*);
- (b) the Issuer and the Note Trustee have been notified by the Master Servicer that publication of RPI has ceased or will cease with no substitution of RPI as provided in Condition 4.7(d) (*Additional indexation provisions*); or
- (c) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to RPI, offering a right of redemption to the holders of the Index Reference Gilt, and no amendment or substitution of RPI has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing.

#### 5.7 **Optional redemption for Estimated Receipts**

- (a) If Estimated Receipts have been transferred by the Master Servicer to the Issuer for three consecutive MS Payment Dates then the Issuer shall notify the Note Trustee and the Noteholders in accordance with Condition 16 (*Notices to Noteholders*) of the occurrence of such event.
- (b) In such circumstances, the Issuer shall if directed by the Note Trustee (acting on the instructions of each Class of Noteholder by way of Ordinary Resolution) direct the Seller to repurchase all outstanding Transferred Loans held by the Seller in accordance with Clause 8.8 (*Repurchase; Estimated Receipt*) of the Loan Sale Agreement.

- (c) The Issuer must apply the proceeds of such repurchase to redeem all (but not some only) of the Notes at their Redemption Amount on the Distribution Date following the direction referred to in (b) above.

## 5.8 Fees Shortfall

- (a) On or before the Servicing Reporting Date the Master Servicer shall determine, on the basis of the Forecast Model, whether a Fees Shortfall is projected to occur on the next Distribution Date. The Master Servicer shall notify the Issuer, the Cash Manager and the Note Trustee in writing if it determines that a Fees Shortfall is projected to occur.
- (b) Within three Business Days of the relevant Servicing Reporting Date, the Cash Manager will determine whether a Fees Shortfall will actually occur in relation to the following Distribution Date and give notice of the same to the Issuer, the Master Servicer, the Seller, the Principal Paying Agent, the Security Trustee and the Note Trustee. The Issuer shall promptly notify the Noteholders of such determination in accordance with Condition 16 (*Notices to Noteholders*) and the Seller may repurchase all outstanding Transferred Loans held by the Issuer in accordance with Clause 8.9 (*Repurchase; Fees Shortfall*) of the Loan Sale Agreement unless the Senior Class Funding Conditions are satisfied.
- (c) The "**Senior Class Funding Conditions**" are:
  - (i) the Noteholders of the Senior Class advance or procure the advance to the Issuer of cleared funds in an amount at least equal to the Fees Shortfall pursuant to a Fees Shortfall Loan documented under the terms of a loan agreement substantially the form set out in Schedule 6 to the Loan Sale Agreement; and
  - (ii) the Noteholders of the Senior Class do not pass an Extraordinary Resolution vetoing the Issuer entering into the proposed Fees Shortfall Loan,

in each case, no later than six Business Days prior to the Distribution Date to which the Fees Shortfall relates.

If the Senior Class Funding Conditions are not satisfied and the Seller exercises the Fees Shortfall Repurchase Option, if Available Receipts on the Distribution Date immediately following the repurchase are insufficient to discharge in full all amounts then due and payable to the Noteholders, the Issuer's obligation in respect of such amounts shall be automatically extinguished and the Noteholders shall not receive any further payments of interest on or principal of the Notes and shall have no further claim against the Issuer in respect of such unpaid amounts.

## 6. NOTIFICATIONS

The Principal Paying Agent shall notify the Issuer, the Note Trustee, the Corporate Services Provider, the Cash Manager and, on behalf of the Issuer by means of notification in accordance with Condition 16 (*Notices to Noteholders*), the Noteholders, and for so long as any of the Notes are listed on the Official List and traded on the regulated market of the London Stock Exchange, the London Stock Exchange in respect of the Notes listed and traded thereon:

- (a) with respect to each Distribution Date and each Class, of:
  - (i) the Interest Amount pursuant to Condition 4.1 (*Interest calculation*);
  - (ii) the Interest Period pursuant to Condition 4.4 (*Interest Period*);
  - (iii) the Interest Rate pursuant to Condition 4.5 (*Interest Rate*); and



- (iv) the amount of any Interest Shortfall pursuant to Condition 4.10 (*Interest Shortfall*);
- (b) with respect to each Distribution Date, of the amount of principal of each Class to be paid on such Distribution Date pursuant to Condition 5 (*Redemption*);
- (c) with respect to each Distribution Date, of the Note Principal Amount of each Class, and the Note Principal Amount of each Class as from such Distribution Date and the Pool Factor; and
- (d) in the event the payments to be made on a Distribution Date constitute the final payment with respect to any Class of Notes pursuant to Condition 5.1 (*Mandatory redemption*), Condition 5.4 (*Early redemption; UK Tax System or CCA Event*), Condition 5.5 (*Optional redemption for taxation reasons*) or Condition 5.6 (*Redemption for indexation reasons*), of the fact that such is the final payment.

in each case, such notification shall be given by the Principal Paying Agent as soon as practicable following the relevant determination and in any event no later than two Business Days before the Distribution Date.

## **7. AGENTS**

### **7.1 Appointment of Agents**

The Issuer and, for the purposes specified in the Agency Agreement, the Note Trustee and the Security Trustee have appointed the Agents pursuant to the Agency Agreement.

### **7.2 Replacement of the Agents**

The Issuer shall procure that for as long as any Notes are Outstanding there shall always be a Principal Paying Agent, a Calculation Agent and a Registrar to perform the functions assigned to it in these Conditions. The replacement of any such Agents must be carried out in accordance with Condition 7.5 (*Variation or termination of appointment*).

### **7.3 Calculations binding**

All Interest Rates and Interest Amounts determined and other calculations and determinations made by the Calculation Agent for the purposes of these Conditions shall, in the absence of manifest error, be final and binding.

### **7.4 Relationship of the Agents**

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Note Trustee and the Security Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

### **7.5 Variation or termination of appointment**

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written consent of the Security Trustee acting on the instructions of the Instructing Secured Creditor) to vary or terminate the appointment of any Agent and to appoint successor agents, at any time, having given not less than 30 calendar days prior notice to such Agent and providing notice thereof to the Noteholders in accordance with Condition 16 (*Notices to Noteholders*).

## 8. PAYMENTS IN RESPECT OF THE NOTES

### 8.1 Payments and discharge

- (a) Payments of principal and interest in respect of the Notes shall be made by the Issuer, through the Principal Paying Agent, in accordance with the Conditions. Whilst the Notes of any Class continue to be represented by a Global Note, all payments of principal and interest due in respect of those Notes will be payable to, or to the order of, the Clearing Systems or their nominee.
- (b) All payments made by the Issuer in accordance with paragraph (a) of this Condition 8.1 (*Payments and discharge*) shall discharge the liability of the Issuer under the relevant Notes to the extent of the sums so paid to the Principal Paying Agent. Any failure to make the entries in the records of the Clearing Systems in respect of such Global Notes shall not affect the discharge referred to in the preceding sentence.

### 8.2 Subject to law

All payments in respect of the Notes are subject in each case to any applicable fiscal and other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

### 8.3 Payment on a non-Business Day

If any date for payment in respect of a Note is on a day which is not a Business Day in the place of presentation, payment shall not be made on such day but on the next succeeding Business Day in such place and no further interest or other payment in respect of any such delay shall be due in respect of such Note.

### 8.4 Partial payments

If the Principal Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure and the Registrar will ensure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note, that a statement indicating the amount and date of such payment is endorsed on the relevant Note.

### 8.5 Method of payment

Subject to the provisions of this Condition 8 (*Payments in respect of the Notes*), payments of interest and principal in respect of each Note will be made to the holder (or the first named holder in the case of joint holders) of such Note appearing on the Register at 6:00 pm (London time) on the Record Date preceding the relevant Distribution Date and will be made by transfer to such holder's Sterling denominated bank account maintained with a bank in the United Kingdom) as identified by that person to the Principal Paying Agent and the Registrar on or before the Record Date.

## 9. PRESCRIPTION

Claims for principal and interest shall become void unless presented for payment within a period of 10 years in respect of payment of principal and five years in respect of payment of interest, in each case from the Relevant Date. After the date on which a Note becomes void in its entirety, no claim may be made in respect thereof. In this Condition 9 (*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 Note 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 is duly given to the Noteholders in accordance with Condition 16 (*Notices to Noteholders*).

## 10. TAXATION

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding or deduction for or on account of any Taxes and none of the Issuer, any Agent or any other person will be obliged to pay additional amounts in respect of any such withholding or deduction.

Payments of interest on the Offered Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Offered Notes continue to be listed on a "**recognised stock exchange**" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for such purposes. Securities will be treated as listed on the London Stock Exchange if they are listed and admitted to trading by the Main Market of the London Stock Exchange. Provided, therefore, that the Offered Notes remain so listed (and there is no change in applicable tax law), interest on the Offered Notes will be payable without withholding or deduction on account of United Kingdom tax.

Payments of interest on the Class X Notes will generally be subject to withholding on account of United Kingdom income tax at the basic rate (currently 20%) unless an exemption applies or an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld). The Issuer shall make payments of interest on the Class X Notes to a Class X Noteholder net of any Tax Deduction, unless the Class X Noteholder has provided the Issuer and the Principal Paying Agent with a Noteholder Tax Certificate (enclosing a copy of the Gross Payment Direction, where applicable) on or before the Tax Record Date and the Principal Paying Agent has confirmed (in accordance with Clause 6.4 (*Certification and Noteholder Tax Certificates*) of the Agency Agreement) that such Noteholder Tax Certificate has been accepted and that interest in respect of the relevant Class X Notes can be paid without a Tax Deduction on the relevant Distribution Date (provided that none of the other circumstances set out in Clause 5.2(c)(iv) (*Withholding tax*) of the relevant Class X Note Purchase Agreement (or the equivalent provisions of the relevant Class X Note Investor Representation Letter apply). For the avoidance of doubt, a Noteholder Tax Certificate relates only to the Distribution Date specified therein and a new Noteholder Tax Certificate must be provided on or before each Tax Record Date in relation to the relevant Distribution Date.

## 11. SUBSTITUTION OF THE ISSUER

### 11.1 New Issuer

The Note Trustee may, without the consent of the Noteholders or any other Secured Creditor, subject to the conditions specified in the Note Trust Deed, concur with the Issuer to the substitution of a new issuer in place of the Issuer as the principal debtor in respect of the Transaction Documents, the Notes and the other Secured Obligations.

### 11.2 Notice of Substitution of Issuer

Not later than 14 days after the execution of any documents required to be executed pursuant to Clause 10 (*Substitution*) of the Note Trust Deed and after compliance with any requirements under this Condition 11 (*Substitution of the Issuer*) and Clause 10 (*Substitution*) of the Note Trust Deed, the new issuer shall cause notice thereof to be given to the Noteholders and the other Issuer Secured Creditors in accordance with Condition 16 (*Notices to Noteholders*) and the relevant Transaction Documents.

### 11.3 Change of law

In connection with any proposed substitution of the Issuer or any previous substitute, the Note Trustee may, in its absolute discretion and without the consent of the Noteholders, or the other Secured Creditors, agree to a change of the law from time to time governing the Notes and/or the Note Trust Deed and/or the Deed of Charge provided that such change of law, in the

opinion of the Trustee, would not be materially prejudicial to the interests of the holders of the Senior Class then Outstanding.

#### 11.4 **No indemnity**

No Noteholder shall, in connection with any such substitution be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such individual Noteholder.

### 12. **EVENTS OF DEFAULT**

If an Event of Default occurs and is continuing, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25% in aggregate Note Principal Amount of the Senior Class then Outstanding or if so directed by an Extraordinary Resolution of the Senior Class then Outstanding shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give written notice (an "**Acceleration Notice**") to the Issuer, copied to the Noteholders, the Security Trustee, the Agents and the other Secured Creditors declaring that all Classes of the Notes then Outstanding are, without further action or formality, immediately due and repayable at their respective Note Principal Amount, together with accrued but unpaid interest as provided in the Note Trust Deed.

### 13. **PROCEEDINGS**

The Note Trustee may at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to recover any amounts due in respect of the Notes which are unpaid or to enforce any of its rights under the Note Trust Deed, the Conditions or the other Transaction Documents, but it shall not be bound to take any such proceedings (including directing the Security Trustee) unless:

- (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter of the aggregate Note Principal Amounts of the Senior Class then Outstanding; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Losses to which it may therefore become liable and all costs, charges and expenses which may be properly incurred by it in connection therewith,

provided that, the Note Trustee shall not be held liable for the consequence of taking any such action and may take such action without having regard to the effect of such action on individual Noteholders or any other Secured Creditor and so long as any of the Notes are Outstanding, the Note Trustee shall not, and shall not be bound to, act at the request or direction of the holders of any Class of Notes other than the Senior Class then Outstanding.

### 14. **MEETINGS OF NOTEHOLDERS; MODIFICATION**

#### 14.1 **Noteholder Meetings**

The Note Trust Deed contains provisions for convening joint meetings of all Noteholders or separate meetings of Noteholders on the basis of a Class to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Note Trust Deed or the other Transaction Documents (each a "**Meeting**"). Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a Meeting may be convened by the Issuer or by the Note Trustee and, in the case of the Note Trustee, shall be convened by the Note Trustee, subject to its being indemnified and/or prefunded and/or secured to its satisfaction upon the request in writing of a Class or Classes of Noteholders holding not less than 10% of the Note Principal Amount of the Outstanding Notes of the relevant Class or Classes. The quorum at any Meeting convened to vote on an Extraordinary Resolution, relating to a Meeting of a particular Class or Classes of Notes will be one or more persons holding or representing not less than 50% of the aggregate Note Principal Amounts of the Outstanding Notes of the relevant Class or Classes or, at any adjourned Meeting, one or more persons being or

representing Noteholders of the relevant Class whatever the aggregate Note Principal Amounts of the Notes then Outstanding so held or represented in such Class or Classes; provided, however, that certain proposals to (i) (except in respect of a Base Rate Modification in accordance with Condition 14.3(g)) sanction a modification of the date of maturity of any Notes of any Class, reduce the amount of principal or interest due on any date in respect of the Notes of any Class or alter the method of calculating the amount of any payment (including the Interest Rate) in respect of the Notes of any Class, (ii) (except in accordance with Condition 5.5 (*Optional Redemption For Taxation Reasons*), Condition 11 (*Substitution of the Issuer*) and Clause 10 (*Substitution*) of the Note Trust Deed) effect the exchange, conversion or substitution of the Notes of any Class for, or the conversion of such Notes into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed and/or for cash; (iii) change the currency of payment of the Notes of any Class; (iv) change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; (v) sanction a modification which would result in any material change to the constitution of the Charged Property except as permitted by the Transaction Documents; (vi) amend the order of the Priorities of Payments as set out in the Deed of Charge and Cash Management Agreement; or (vii) alter any of the provisions contained in this proviso (each, a "**Basic Terms Modification**") may only be sanctioned by an Extraordinary Resolution passed at a Meeting of Noteholders at which one or more persons holding or representing in the aggregate not less than 75% or, at any adjourned Meeting, 25% of the aggregate Note Principal Amount of the Outstanding Notes of the relevant Class or Classes form a quorum.

An Extraordinary Resolution involving a Basic Terms Modification passed at any meeting of any Class of Noteholders shall be binding on all other Classes of Noteholders provided that (i) such Basic Terms Modification is sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes then Outstanding; or (ii) such Basic Terms Modification relates to a particular Class of Notes and the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of any other Class of Noteholders.

No Extraordinary Resolution to approve any matter other than a Basic Terms Modification of any Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution by the holders of all Classes or Class of Notes then Outstanding and ranking senior to such Class (to the extent that there are Notes Outstanding ranking senior to such Class) unless the Note Trustee considers that none of the holders of such senior ranking Class or Classes would be materially prejudiced by the absence of such sanction. For the purposes of this Condition 14.1 (*Noteholder Meetings*), Class A Notes rank senior to Class B Notes and Class B Notes rank senior to Class X Notes.

Subject to the above, (a) any resolution passed at a Meeting of Noteholders duly convened and held in accordance with the Note Trust Deed shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not voting of such Class or Classes; (b) any resolution passed at a Meeting of the Noteholders of the Senior Class then Outstanding duly convened and held as aforesaid shall also be binding upon all Noteholders of all the other Classes of Notes; and (c) any resolution passed at a Meeting of all Classes of Noteholders shall be bound to give effect to any such resolution accordingly and the passing of such resolution shall be conclusive evidence that the circumstances justify the passing thereof.

In addition, a resolution in writing signed by or on behalf of Noteholders in the aggregate of not less than 75% of the Note Principal Amount of the relevant Class or Classes then Outstanding will take effect as it were an Extraordinary Resolution. 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 Noteholders.

The quorum at any Meeting of the Noteholders of any Class for all business other than voting on an Extraordinary Resolution shall be one or more persons holding or representing in the aggregate not less than 25% of the aggregate Note Principal Amount of the Outstanding

Notes of the relevant Class or, at any adjourned Meeting, one or more persons being or representing the Noteholders of the relevant Class, whatever the aggregate Note Principal Amount of the Notes of the relevant Class then Outstanding so held or represented.

#### 14.2 **Modification and waiver**

The Note Trustee may without the consent or sanction of the Noteholders of any Class or any of the other Issuer Secured Creditors, agree to (i) any modification of these Conditions, the Notes, the Note Trust Deed or the other Transaction Documents in relation to which its consent is required which, in the opinion of the Note Trustee, will not be materially prejudicial to the interests of the Noteholders as a whole (provided that where, in the opinion of the Note Trustee, there is a conflict between the interests of the different Classes of Noteholders the Note Trustee shall give priority to the interests of the Senior Class then Outstanding) or, (ii) any modification of the Conditions, the Notes, the Deed of Charge, the Note Trust Deed or any other Transaction Document in relation to which its consent is required if, in the opinion of the Note Trustee, such modification is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Note Trustee may, without the consent of the Noteholders or other Secured Creditors, authorise or waive (or direct the Security Trustee to authorise or waive) any proposed breach or breach of these Conditions, the Notes, the Note Trust Deed or any other Transaction Document (other than a proposed breach or breach relating to the subject of a Basic Terms Modification or unless otherwise expressly directed by an Extraordinary Resolution of the Noteholders of the Senior Class then Outstanding) if, in the opinion of the Note Trustee, the interests of the Noteholders as a whole (provided that where, in the opinion of the Note Trustee, there is a conflict between the interests of the different Classes of Noteholders the Note Trustee shall give priority to the interests of the Senior Class then Outstanding) will not be materially prejudiced thereby. Any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

#### 14.3 **Additional modification rights**

Notwithstanding the provisions of Condition 14.2 (*Modification and waiver*), the Note Trustee shall be obliged, without consent or sanctions of the Noteholders or any other Secured Creditor (other than those required to provide their consent pursuant to Modification Condition (c)), to concur with (or direct the Security Trustee to concur with) the Issuer or any other relevant parties in making any modification (other than in respect of a Basic Terms Modification) to the Conditions, the Notes, the Deed of Charge, this Note Trust Deed or any other Transaction Document or enter into any new, supplemental or additional documents (in each case) that the Issuer considers necessary:

- (a) for the purposes of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:
  - (i) the Issuer (or the Master Servicer on behalf of the Issuer) certifies in writing to the Note Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
  - (ii) in the case of any modification to a Transaction Document proposed by the Issuer Account Bank in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid the Issuer Account Bank taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds):
    - (1) the Issuer Account Bank certifies in writing to the Issuer and the Note Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above; and

- (2) either:
    - (A) the Issuer Account Bank obtains from each of the Rating Agencies written confirmation that such modification would not result in a downgrade, withdrawal or qualification of the then current ratings assigned to the Class A Notes or the Class B Notes by such Rating Agency and delivers a copy of such confirmation to the Issuer and the Note Trustee; or
    - (B) the Issuer Account Bank certifies in writing to the Issuer and the Note Trustee that it has notified each of the Rating Agencies of the proposed modification in writing and in its opinion, formed on the basis of due consideration and consultation with the Rating Agencies, such modification would not result in a downgrade, withdrawal or qualification of the then current ratings assigned to the Senior Class then Outstanding by any Rating Agency; and
  - (3) the Issuer Account Bank pays all costs and expenses (including legal fees) incurred by the Issuer, the Master Servicer, the Note Trustee and the Security Trustee in connection with such modification.
- (b) for the purposes of complying with any changes in the requirements of Articles 405-410 of the CRR or Article 51 of the AIFMR or Article 254 of Solvency II Regulation after the Note Issuance Date, including as a result of the adoption of regulatory technical standards in relation to the CRR, the AIFMR, Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Master Servicer on behalf of the Issuer) certifies to the Note Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
  - (c) for the purposes of enabling the Notes to be (or to remain) listed on the London Stock Exchange or any other stock exchange on which the Notes are listed, provided that the Issuer (or the Master Servicer on behalf of the Issuer) certifies to the Note Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
  - (d) for the purposes of enabling the Issuer or any of the other Secured Creditors to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), the Common Reporting Standard or any other Tax Information Arrangement, provided that the Issuer (or the Master Servicer on behalf of the Issuer) certifies to the Note Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
  - (e) for the purposes of enabling the Issuer to appoint an entity to carry out any disclosure or reporting requirements under the CRA Regulation, provided that the Issuer (or the Master Servicer on behalf of the Issuer) certifies to the Note Trustee in writing that such modification or such new, supplemental or additional document is required solely for such purposes and has been drafted solely to such effect;
  - (f) for the purposes of complying with any changes in the requirements of the CRA Regulation after the Note Issuance Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation or regulations or official guidance in relation thereto, provided that the Issuer (or the Master Servicer on behalf of the Issuer) certifies to the Note Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
  - (g) for the purposes of enabling the Issuer to amend the base rate component of the Interest Rate applicable to the Class A1 Notes from LIBOR to an alternative base rate

(any such rate, an "**Alternative Base Rate**") and make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer (or the Master Servicer on its behalf) to facilitate such change (a "**Base Rate Modification**") provided that the Issuer (or the Master Servicer on behalf of the Issuer) certifies to the Note Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided by the Issuer (or the Master Servicer on behalf of the Issuer) or the Issuer Account Bank, as the case may be, pursuant to paragraphs (a) to (f) above being a "**Modification Certificate**" and the certificate to be provided by the Issuer (or the Master Servicer on behalf of the Issuer) pursuant to paragraph (g) above being a "**Base Rate Modification Certificate**").

A Base Rate Modification shall be subject to the following being certified by the Issuer (or the Master Servicer on its behalf) to the Note Trustee in the Base Rate Modification Certificate that:

- (a) such Base Rate Modification is being undertaken due to:
  - (i) a material disruption to LIBOR, a change in the methodology of calculating LIBOR which is adverse to the Issuer or any Class of Noteholders or LIBOR ceasing to exist or be published;
  - (ii) the insolvency or cessation of business of the LIBOR administrator (in circumstances where no successor LIBOR administrator has been appointed);
  - (iii) a public statement by the LIBOR administrator that it will cease publishing LIBOR permanently or indefinitely (in circumstances where no successor LIBOR administrator has been appointed that will continue publication of LIBOR);
  - (iv) a public statement by the supervisor of the LIBOR administrator that LIBOR has been or will be permanently or indefinitely discontinued or will be changed in a manner which is adverse to the Issuer or any Class of Noteholders;
  - (v) a public statement by the supervisor of the LIBOR administrator that means LIBOR may no longer be used or that its use is subject to restrictions or adverse consequences; or
  - (vi) the reasonable expectation of the Issuer (or the Master Servicer on its behalf) that any of the events specified in sub-paragraphs (i) to (v) (inclusive) will occur or exist within six months of the proposed effective date of such Base Rate Modification; and
- (b) such Alternative Base Rate is:
  - (i) a base rate published, endorsed, approved or recognised by the Bank of England, any regulator in the United Kingdom or the European Union or any stock exchange on which the Class A1 Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing);
  - (ii) the Sterling Over Night Index Average or the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to either of the foregoing);
  - (iii) a base rate utilised in a material number of publicly listed new issues of Sterling-denominated asset backed floating rate notes prior to the effective date of such Base Rate Modification; or



- (iv) such other base rate as the Master Servicer reasonably determines.

The Note Trustee is only obliged to concur with the Issuer in making any modification for the purposes referred to in paragraphs (a) to (g) above if the following conditions have been satisfied (the "**Modification Conditions**"):

- (a) at least 30 days' prior written notice of any such proposed modification has been given to the Note Trustee;
- (b) the Modification Certificate or (as applicable) the Base Rate Modification Certificate in relation to such modification has been provided to the Note Trustee both at the time the Note Trustee is notified of the proposed modification and on the date that such modification takes effect;
- (c) the consent of each Secured Creditor which is party to the relevant Transaction Document (with respect to a Base Rate Modification, any Transaction Document proposed to be amended by such Base Rate Modification) has been obtained;
- (d) the Note Trustee is satisfied that it has been or will be reimbursed for all costs, fees and expenses (including properly incurred legal fees together with any amounts in respect of VAT due thereon (to the extent such VAT is irrecoverable for the Note Trustee)) incurred by it in connection with such modification;
- (e) other than in the case of a modification pursuant to Condition 14.3(a)(ii) (*Additional modification rights*), either:
- (i) the Issuer obtains from each of the Rating Agencies written confirmation that such modification would not result in a downgrade, withdrawal or qualification of the then current ratings assigned to the Senior Class then Outstanding by such Rating Agency; or
- (ii) the Issuer (or the Master Servicer on behalf of the Issuer) certifies in the Modification Certificate or the Base Rate Modification Certificate (as applicable) that it has notified each of the Rating Agencies of the proposed modification in writing and none of the Rating Agencies has indicated that such modification would result in a downgrade, withdrawal or qualification of the then current ratings assigned to the Senior Class then Outstanding by such Rating Agency; and
- (f) the Issuer (or the Master Servicer on behalf of the Issuer) certifies in writing to the Note Trustee (which certification may be in the Modification Certificate or the Base Rate Modification Certificate (as applicable)) that, in relation to such modification:
- (i) the Issuer (or the Principal Paying Agent on its behalf) has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notices to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes, in each case specifying the date and time by which Noteholders must respond and has made available, at the time of publication, the modification documents for inspection at the registered office of the Note Trustee for the time being during normal business hours; and
- (ii) Noteholders representing no more than:
- (1) In relation to a modification other than a Base Rate Modification, 25 per cent. of the aggregate Note Principal Amount of the Senior Class then Outstanding; or

- (2) In relation to a Base Rate Modification, 10 per cent. of the aggregate Note Principal Amount of either the Class A1 Notes or the Class A2 Notes then Outstanding,

have contacted the Issuer and the Principal Paying Agent in accordance with the then current practice of any relevant Clearing System through which such Notes may be held notifying them by the time specified in such notice that such Noteholders do not consent to the modification.

If Noteholders representing at least (i) 25 per cent. (in relation to a modification other than a Base Rate Modification) or (ii) 10 per cent. (in relation to a Base Rate Modification), of the aggregate Note Principal Amount of either the Class A1 Notes or the Class A2 Notes then Outstanding have notified the Issuer and the Principal Paying Agent, in accordance with the notice and the then current practice of any relevant Clearing System through which such Notes may be held, by the time specified in such notice that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Senior Class then Outstanding is passed in favour of such modification in accordance with Schedule 3 (*Provisions for Meetings of Noteholders*) of the Note Trust Deed.

Objections made in writing other than through the relevant Clearing Systems must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholders' holding of the Notes.

Any modification made in accordance with this Condition 14.3 (*Additional modification rights*) shall be binding on all Noteholders and shall be notified by the Issuer (or the Principal Paying Agent on its behalf) as soon as reasonably practicable to, so long as any of the Notes rated by the Rating Agencies remains Outstanding, each Rating Agency and, in any event, the Secured Creditors and the Noteholders in accordance with Condition 16 (*Notices to Noteholders*).

When implementing any modification pursuant to this Condition 14.3 (*Additional modification rights*), none of the Note Trustee or the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee and/or the Security Trustee (as applicable), would have the effect of (i) exposing the Note Trustee and/or the Security Trustee (as applicable) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Note Trustee and/or the Security Trustee (as applicable) in the Transaction Documents and/or the Conditions.

#### 14.4 **Modifications to the Master Servicing Agreement**

Notwithstanding the provisions of Condition 14.2 (*Modification and waiver*), the Note Trustee shall be obliged, without the consent or sanction of the Noteholders or any other Secured Creditor who is not a party to the Master Servicing Agreement to direct the Security Trustee to concur with the Issuer and the Master Servicer in making any modification to the Services set out in the Master Servicing Agreement for the purposes of implementing or reflecting any change to the systems, processes and procedures of the Master Servicer for collection of income tax in the United Kingdom provided that:

- (a) the Master Servicer certifies in writing to the Issuer, the Note Trustee and the Security Trustee that such modification is necessary for the purposes described above and has been drafted solely to such effect (an "**MS Modification Certificate**"); and
- (b) the Master Servicer pays all costs and expenses (including properly incurred legal fees together with any amounts in respect of VAT due thereon (to the extent such VAT is irrecoverable for the Note Trustee)) incurred by the Issuer, the Note Trustee and the Security Trustee in connection with such modification; and

- (c) at least 30 days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee; and
- (d) the MS Modification Certificate shall be provided to the Issuer, Note Trustee and the Security Trustee both at the time such parties are notified of the proposed modification and on the date such modification takes effect; and
- (e) either:
  - (i) the Master Servicer obtains from each of the Rating Agencies written confirmation that such modification would not result in a downgrade, withdrawal or qualification of the then current ratings assigned to the Class A Notes or the Class B Notes by such Rating Agency and delivers a copy of such confirmation to the Issuer and the Note Trustee; or
  - (ii) the Master Servicer certifies in the MS Modification Certificate that it has notified each of the Rating Agencies of the proposed modification in writing and none of the Rating Agencies has indicated that such modification would result in a downgrade, withdrawal or qualification of the then current ratings assigned to the Senior Class then Outstanding by such Rating Agency; and
- (f) the Issuer (or the Master Servicer on behalf of the Issuer) certifies in writing to the Note Trustee (which certification may be in the MS Modification Certificate) that, in relation to the proposed modification the Issuer (or the Principal Paying Agent on its behalf) has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notices to Noteholders*).

Any modification made in accordance with this Condition 14.4 (*Modifications to the Master Servicing Agreement*) shall be binding on all Noteholders and shall be notified by the Issuer (or the Principal Paying Agent on its behalf) as soon as reasonably practicable to, so long as any of the Notes rated by the Rating Agencies remains Outstanding, each Rating Agency and, in any event, the other Secured Creditors and the Noteholders in accordance with Condition 16 (*Notices to Noteholders*).

When implementing any modification pursuant to Condition 14.4 (*Modifications to the Master Servicing Agreement*), none of the Note Trustee or the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee and/or the Security Trustee (as applicable), would have the effect of (i) exposing the Note Trustee and/or the Security Trustee (as applicable) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Note Trustee and/or the Security Trustee (as applicable) in the Transaction Documents and/or the Conditions.

## 15. THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

- 15.1 Under the Note Trust Deed and Deed of Charge, the Note Trustee and Security Trustee are respectively entitled to be indemnified and/or prefunded and/or secured to their satisfaction and relieved from responsibility in certain circumstances and to be paid their costs and expenses in priority to the claims of the Noteholders. In addition, the Note Trustee and Security Trustee are entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.
- 15.2 In the exercise of its powers and discretions under these Conditions and the Note Trust Deed, the Note Trustee will have regard to the interests of the Noteholders as a Class (except as expressly set out in Condition 14 (*Meetings of Noteholders; modification*)) and will not be responsible for any consequence for individual holders of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.
- 15.3 The Security Trustee shall only be required to have regard to the interests of the Noteholders

as a Class (except as expressly set out in Condition 14 (*Meetings of Noteholders; modification*)) and subject to Condition 15.5 (*The Note Trustee and the Security Trustee*) below, shall have no responsibility to any other Secured Creditor, except to distribute amounts received in accordance with the Post-Acceleration Priority of Payments.

- 15.4 In acting under the Deed of Charge, as long as any Notes are Outstanding, the Note Trustee shall have an ability to direct the Security Trustee pursuant to the terms thereof, provided that nothing shall oblige the Note Trustee to act for, or to consider the interests of, any other Secured Creditor and provided always that the exercise of such right is subject to the detailed terms of the Note Trust Deed.
- 15.5 Subject to the terms of the Deed of Charge, the Security Trustee shall act in accordance with the instructions of the Instructing Secured Creditor when exercising any right, power, duties, discretions and authorities under or pursuant to the Transaction Documents.

16. **NOTICES TO NOTEHOLDERS**

- 16.1 All notices to the Noteholders (except for in respect of the Class X Notes) hereunder shall be published in a leading newspaper published in the United Kingdom (which is expected to be the *Financial Times*) or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Note Trustee shall approve having a general circulation in London. Any such notice shall be deemed to have been given to all Noteholders on the date of such publication.
- 16.2 So long as any Offered Notes are represented in their entirety by any Global Note held on behalf of any Clearing System, there may be substituted for publication in newspaper(s) (in accordance with Condition 16.1 (*Notices to Noteholders*)) the delivery of the relevant notice to the relevant Clearing System for communication by them to the Noteholders and, in addition, for so long as any Class A1 Notes, Class A2 Notes or Class B Notes are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of the stock exchange, or as the case may be, other relevant authority so require, such notice will be published in a manner which complies with the rules and regulations of that stock exchange, as the case may be, or any other relevant authority. Any such notice shall be deemed to have been given to the Noteholders on the day on which said notice was given to the relevant Clearing System.
- 16.3 In respect of the Class X Notes, notices to the Noteholders will be sent to them by the Issuer by (i) first class mail (or its equivalent) or (if posted to an overseas address) by airmail or (ii) e-mail, in each case at their respective address or e-mail address on the Register. Any such notice will be deemed to have been given on the date of posting or sending (as applicable).

17. **REPLACEMENT**

17.1 If a Global Note is lost, stolen, mutilated, defaced or destroyed, the Issuer will deliver a replacement Global Note to the registered holder upon receipt of satisfactory evidence and surrender of any defaced or mutilated Global Note. A replacement will only be made upon payment of the expenses for a replacement and compliance with the Issuer's and Registrar's reasonable requests as to evidence, security and indemnity.

17.2 If Definitive Notes are lost, stolen, mutilated, defaced or destroyed, the Noteholder can replace them at the Specified Office of the Registrar subject to all applicable laws and stock exchange requirements. The Noteholder will be required both to pay the expenses of producing a replacement and to comply with the Issuer's and Registrar's reasonable requests as to evidence, security and indemnity.

17.3 Defaced or mutilated Global Notes or Definitive Notes must be surrendered before replacements will be issued.

18. **GOVERNING LAW AND JURISDICTION**

18.1 **Governing law**

The Notes and all non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

18.2 **Jurisdiction**

The courts of England shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including any disputes relating to any non-contractual obligations in connection with the Notes).

19. **CERTAIN DEFINITIONS**

In these Conditions, the following words and expressions will, except where the context otherwise requires, have the meanings set out below:

**"Acceleration Notice"** has the meaning given to it in Condition 12 (*Events of Default*);

**"Accountholder"** means each of the persons shown in the records of the relevant Clearing System as being entitled to an interest in a Global Note;

**"Account Mandates"** means in respect of any Issuer Bank Account, the relevant mandate given to the bank at which that Issuer Bank Account is held in respect of that Issuer Bank Account;

**"Accounts Period"** means, with respect to a Nil Return Sweep Date, the period from (and including) 1 April to (and including) 31 March where 31 March falls in the year immediately prior to such Nil Return Sweep Date, with the first such period being 1 April 2016 to 31 March 2017;

**"Act"** means the Sale of Student Loans Act 2008;

**"Actual/Actual"** means the actual number of calendar days in the period in respect of which a payment is being made in Sterling divided by 365 (or, if any portion of that period falls in a leap year, the sum of (i) the actual number of days in that portion of the period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the period falling in a non-leap year divided by 365);

**"Actual/365"** means the actual number of calendar days in the period in respect of which a payment is being made in Sterling divided by 365;

**"Additional Gain"** means, in respect of each Purchased Note subject to a Class X Note Transfer:

- (a) if the Transfer Value of the relevant Purchased Note does not exceed both the Initial Investor Target Holding IRR Threshold and the Holding Period IRR Threshold, zero; and
- (b) if the Transfer Value of the relevant Purchased Note exceeds both the Initial Investor Target Holding IRR Threshold and the Holding Period IRR Threshold, the lesser of:
  - (i) the difference between the Transfer Value of the relevant Purchased Note and the Initial Investor Target Holding IRR Threshold; and
  - (ii) the difference between the Transfer Value of the relevant Purchased Note and the Holding Period IRR Threshold;

**"Affected Loan"** means, with respect to a Compensation Event, the relevant Transferred Loan affected by such Compensation Event;

**"Affected Transferred Loan"** means any Transferred Loan in respect of which the Master Servicer is unable to determine the Recorded Receipts for any applicable Accounts Period or part thereof;

**"Affiliate"** in relation to any person means a Subsidiary of that person, a Holding Company of that person or any other Subsidiary of that Holding Company, in each case from time to time;

**"Agency Agreement"** means the agency agreement entered into on or about the Note Issuance Date between the Issuer, the Principal Paying Agent, the Calculation Agent, the Registrar, the Note Trustee and the Security Trustee which sets out the appointment of each Agent for the Notes (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Agent"** means each of the Principal Paying Agent, the Calculation Agent and the Registrar;

**"Aggregate Outstanding Asset Amount"** means, in respect of all Transferred Loans as of any date, the aggregate of the Outstanding Amounts of all Transferred Loans;

**"AIFMD"** means the Alternative Investment Fund Managers Directive 2011/61/EU of the European Parliament and the Council of 22 July 2013 on alternative investment fund managers, as amended from time to time;

**"AIFMR"** means the Commission Delegated Regulation 231/2013 of 19 December 2012 supplementary to AIFMD, as amended from time to time;

**"Alternative Base Rate"** shall have the meaning set out in Condition 14.3 (*Additional modification rights*);

**"Amending Directive"** means Council Directive 2014/107/EU of 9 December 2014 amending AIFMD as regards mandatory automatic exchange of information in the field of taxation;

**"Appointee"** means any attorney, manager, agent, delegate, nominee, Receiver, custodian or other person properly appointed or employed by the Note Trustee under the Note Trust Deed or by the Security Trustee (as applicable) to discharge any of its functions;

**"Arranger"** means Barclays Bank PLC;

**"Available Receipts"** means, for any Distribution Date (without double-counting):

- (a) all Receipts in respect of the Transferred Loans received by the Issuer on the immediately preceding MS Payment Date, plus any Underpayment Amounts received from the Seller together with the applicable rate of interest calculated at a rate equal to

the lower of the Index Rate and the Interest Rate Cap thereon but excluding any Excess Customer Book Repayments;

- (b) any interest received by the Issuer on the Issuer Bank Accounts since the Determination Date immediately preceding the last Distribution Date;
- (c) the amounts available in the Note A2 Cash Account on the Determination Date immediately preceding the relevant Distribution Date, provided that, if the Class A2 Notes are Outstanding, such amounts may only be used to cover item (h) of the Pre-Acceleration Priority of Payments on such Distribution Date;
- (d) the amounts available in the Expense Account on the Determination Date immediately preceding the relevant Distribution Date, provided that such amounts may only be used to cover items (b) and (c) of the Pre-Acceleration Priority of Payments to the extent funds available under the Issuer Transaction Account on the relevant Distribution Date are insufficient to cover the payments of such amounts;
- (e) payments received from the Seller in respect of any breach of Loan Warranty since the Determination Date immediately preceding the last Distribution Date and in respect of the Repurchase Price paid for any repurchase of Teacher Forgiveness Loans since the Determination Date immediately preceding the last Distribution Date;
- (f) all Compensation Payments received by the Issuer under the Loan Sale Agreement on the immediately preceding MS Payment Date;
- (g) all amounts advanced to the Issuer under the Fees Shortfall Loan;
- (h) on the Maturity Date or, if earlier, the date of repayment in full of the Notes, amounts standing to the credit of the Expense Account; and
- (i) other net income of the Issuer received since the Determination Date immediately preceding the last Distribution Date or, in relation to the first Distribution Date, since (but excluding) the Note Issuance Date without double-counting;

"**BACS**" means the Bankers' Automated Clearing System;

"**Barclays**" means Barclays Bank PLC;

"**Base Case Cashflows**" means, as at the Note Issuance Date, the expected base case cashflows determined by the Master Servicer on the basis of the Forecast Model User Interface v9.62.2, which may be obtained on the following website as at and following the date of the Prospectus: <https://sf.citidirect.com>;

"**Base Rate Modification**" shall have the meaning set out in Condition 14.3 (*Additional modification rights*);

"**Base Rate Modification Certificate**" shall have the meaning set out in Condition 14.3 (*Additional Modification rights*);

"**Basic Terms Modification**" shall have the meaning set out in Condition 14.1 (*Noteholder Meetings*);

"**Benchmark Gilt**" means the 6% Treasury Gilt 2028, and subsequently the conventional (i.e. not index-linked) UK Government Gilt with a maturity closest to the scheduled weighted average maturity of the Class A2 Notes on the Yield Determination Date; or such other conventional (i.e. not index-linked) UK Government Gilt that the Issuer (with the advice of the Nominated Financial Adviser) may determine (failing such determination, as determined by the Note Trustee with such advice) to be the most appropriate benchmark conventional UK Government Gilt;

**"Book-Entry Interest"** means on any day the beneficial interests of the Noteholders (from time to time) in the Global Notes recorded by the relevant Clearing System;

**"Borrower"** means in respect of each ICR Loan, the individual to whom that ICR Loan was made;

**"Borrower-level Data"** means loan-level data that has been aggregated up to borrower level and will be provided on an anonymised basis in accordance with the requirements of the Transaction Documents;

**"Business Day"** means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for business in London;

**"Calculation Agent"** means Citibank N.A., London Branch, whose address is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, and any successor or replacement calculation agent appointed from time to time in accordance with the Agency Agreement;

**"Cash Management Agreement"** means the cash management agreement entered into on or about the Note Issuance Date between the Cash Manager, the Issuer, the Seller, the Master Servicer and the Security Trustee (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Cash Manager"** means Citibank N.A., London Branch, whose address is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, and any successor or replacement Cash Manager appointed from time to time in accordance with the Cash Management Agreement;

**"CCA"** means the Consumer Credit Act 1974, as amended from time to time;

**"CCA Change"** has the meaning given to it in paragraph (e) of the definition of Compensation Event;

**"CCA Event"** means either (a) a CCA Change has occurred and the Seller has determined that it is or will be required to make Compensation Payments in respect of the CCA Change under the Loan Sale Agreement or (b) there is a change in law or regulation as a result of which the Transferred Loans are agreements regulated by the CCA and/or FSMA and the Low Interest Exemption is not available in respect of the Transferred Loans and the Master Servicer is or will be in breach of its obligations under the Master Servicing Agreement;

**"CHAPS"** means the Clearing House Automated Payment System;

**"Charged Property"** shall have the meaning set out in the Deed of Charge;

**"Class"** means the Class A Notes (or, where the context requires, the Class A1 Notes or the Class A2 Notes as separate classes), the Class B Notes, and the Class X Notes, or, where the context requires, the Class A Noteholders (or, where the context requires, the Class A1 Noteholders or the Class A2 Noteholders), the Class B Noteholders, or the Class X Noteholders;

**"CLASS"** means SLC's Customer Ledger Account Servicing System;

**"Class A Noteholder"** means a holder of any Class A Notes;

**"Class A Notes"** means the Class A1 Notes and the Class A2 Notes;

**"Class A Notes Interest"** means the Class A1 Notes Interest and the Class A2 Notes Interest;

**"Class A Notes Principal"** means, with respect to any Distribution Date, the sum of the Class A1 Notes Principal and the Class A2 Notes Principal;



**"Class A Principal Amount"** means, as of any date, the sum of the Class A1 Principal Amount and the Class A2 Principal Amount;

**"Class A1 Noteholder"** means a holder of any Class A1 Notes;

**"Class A1 Notes"** means the GBP 810,573,000 Class A1 asset backed floating rate Notes due 2056;

**"Class A1 Notes Interest"** shall have the meaning set out in Condition 4.3 (*Interest Amount*);

**"Class A1 Notes Principal"** means all or a portion of the Class A1 Principal Amount, to be paid in accordance with the applicable Priority of Payments;

**"Class A1 Principal Amount"** means, as of any date, the sum of the Note Principal Amounts of all Class A1 Notes then Outstanding;

**"Class A2 Noteholder"** means a holder of any Class A2 Notes;

**"Class A2 Notes"** means the GBP 697,057,000 Class A2 asset backed fixed rate Notes due 2056;

**"Class A2 Note Amortisation Amounts"** means in respect of each £100,000 initial principal amount of Class A2 Notes in issue and a Distribution Date, either:

- (a) unless paragraph (b) or (c) applies, the amount specified below opposite the applicable Distribution Date:

<b>Distribution Date</b>	<b>Amount (GBP)</b>
2018	4,500
2019	4,500
2020	4,500
2021	4,500
2022	4,500
2023	4,500
2024	4,500
2025	4,500
2026	4,500
2027	4,500
2028	4,500
2029	4,500
2030	4,500
2031	4,500
2032	4,500
2033	4,500

2034	4,500
2035	3,500
2036	3,000
2037	3,000
2038	3,000
2039	3,000
2040	2,000
2041	2,000
2042	2,000
2043	2,000

or,

- (b) upon early redemption pursuant to Condition 5.4 (*Early redemption; UK Tax System or CCA Event*), the Redemption Amount; or
- (c) following the occurrence of an Event of Default, the Note Principal Amount together with any accrued but unpaid interest thereon;

**"Class A2 Notes Interest"** shall have the meaning set out in Condition 4.3 (*Interest Amount*);

**"Class A2 Notes Principal"** means all or a portion of the Class A2 Principal Amount, to be paid in accordance with the applicable Priority of Payments;

**"Class A2 Principal Amount"** means, as of any date, the sum of the Note Principal Amounts of all Class A2 Notes then Outstanding;

**"Class B Noteholder"** means a holder of Class B Notes;

**"Class B Notes"** means the GBP 120,610,000 Class B asset backed index linked Notes due 2056;

**"Class B Notes Interest"** shall have the meaning set out in Condition 4.3 (*Interest Amount*);

**"Class B Notes Principal"** means, with respect to any Distribution Date, all or a portion of the Class B Principal Amount to be paid in accordance with the applicable Priority of Payments;

**"Class B Principal Amount"** means, as of any date, the sum of the Note Principal Amounts of all Class B Notes then Outstanding;

**"Class X Final Redemption Amount"** means the initial aggregate Note Principal Amount for all Class X Notes divided by £100,000;

**"Class X Noteholder"** means a holder of Class X Notes;

**"Class X Note Investor Representation Letter"** has the meaning given to it in Condition 1.6 (*Transfers of Class X Notes*);

**"Class X Note Offering Materials"** has the meaning given to it in Schedule 8 (*Definitions, Interpretation and Construction*) of the Class X Note Purchase Agreements;

**"Class X Note Profit Participating Interest Amount"** means, in respect of each Class X Note, the profit participating interest in an amount equal to, (a) (i) the amount remaining available for application under item (r)(ii) of the Pre-Acceleration Priority of Payments or item (m)(ii) of the Post-Acceleration Priority of Payments, as applicable, in each case only to the extent that all payments or provisions of a higher priority due to be paid or provided for on such Distribution Date have been made in full and after payment, on the final Distribution Date, of the Class X Final Redemption Amount, divided by (ii) the aggregate of the Note Principal Amount of all Class X Notes then Outstanding; multiplied by (b) the Note Principal Amount of such Class X Note;

**"Class X Notes"** means the GBP 1,919,125,000 Class X asset backed Notes due 2056;

**"Class X Notes Principal"** means, with respect to any Distribution Date, all or a portion of the Class X Principal Amount to be paid in accordance with the applicable Priority of Payments;

**"Class X Note Purchase Agreement"** means, in respect of each purchaser of Class X Notes, the agreement to be entered into between the Issuer, the Seller, the Placement Agents and the relevant purchaser of the Class X Notes in relation to the Class X Notes (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Class X Note Purchaser"** means a purchaser of the Class X Notes who has entered into a Class X Note Purchase Agreement with the Seller, the Issuer and the Placement Agents;

**"Class X Note Transfer"** means:

- (a) in relation to a Class X Note Purchase Agreement, any Transfer of an interest in any or all of the Purchased Notes by the Class X Note Purchaser to a third party, including, for the avoidance of doubt, any Transfer to an Affiliate of such Class X Note Purchaser; and
- (b) in relation to a Class X Note Investor Representation Letter, any Transfer of any interest in any or all of the Purchased Notes by the Class X Note Transferee (as defined in such Class X Note Investor Representation Letter) to a third party, including, for the avoidance of doubt, any Transfer to an Affiliate of such Class X Note Transferee or by a Transferee of the Purchased Notes;

**"Class X Principal Amount"** means, as of any date, the sum of the Note Principal Amounts of all Class X Notes then Outstanding;

**"Class X Subscription Agreement"** means the subscription agreement dated on or about the Signing Date and entered into between the Issuer, the Placement Agents and the Seller in relation to the Class X Notes (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Clearing System"** means any clearing agency, settlement system or depository (including any entity that acts as a system for the central handling of cash in the country where it is incorporated or organised or that acts as a trans-national system for the central handling of cash) used in connection with transactions relating to cash, including Euroclear and Clearstream, Luxembourg, and any nominee or successor in title of the foregoing;

**"Clearstream, Luxembourg"** means Clearstream Banking, *société anonyme* which is an ICSD;

**"cohort"** means, in respect of a portfolio of ICR Loans, ICR Loans which have the same SRDD;

**"Common Reporting Standard"** has the meaning given to it in the definition of Tax Information Arrangement;

**"Common Safekeeper"** means Euroclear in its capacity as common safekeeper for Euroclear and Clearstream, Luxembourg in respect of the Offered Notes;

**"Common Service Provider"** means Citibank Europe PLC;

**"Compensation Book"** means the compensation book maintained by the Master Servicer (or a Delegate on its behalf) following the occurrence of a Compensation Event which will record the balances which would have been outstanding under each Transferred Loan had the relevant Compensation Event not occurred. For the avoidance of doubt, references to a copy of the Compensation Book provided by the Master Servicer to the Cash Manager shall be to the Compensation Book which has been aggregated up to borrower level and anonymised by the Master Servicer;

**"Compensation Event"** means each of the following:

- (a) if the calculation of interest on any Transferred Loan (including, for the avoidance of doubt, the method used to calculate the Interest Rate Cap or if the Secretary of State decides not to floor the rate of interest payable on the Transferred Loans at 0%) set out in the Loan Regulations is amended by the Secretary of State (an **"Interest Rate Amendment"**) resulting in a reduction in the rate of interest payable on such Transferred Loan (for the avoidance of doubt, the general annual resetting of the rate of interest payable on ICR Loans shall not constitute an Interest Rate Amendment);
- (b) if the Repayment Threshold and/or the Repayment Rate on any Transferred Loan is amended by the Secretary of State pursuant to the Loan Regulations (a **"Repayment Profile Amendment"**) resulting in an increase in the Repayment Threshold and/or a reduction in the Repayment Rate on any Transferred Loan provided that the annual increase in the Repayment Threshold in-line with increases in RPI (or any successor or substitute inflation index, as applicable) shall not constitute a Repayment Profile Amendment;
- (c) if (i) the Loan Write-Off Date in respect of a Transferred Loan is amended by the Secretary of State pursuant to the Loan Regulations (the **"Loan Write-Off Date Amendment"**) resulting in some or all of the amounts outstanding in respect of such Transferred Loan being written-off earlier than it would have been written-off prior to the amendment or (ii) pursuant to primary legislation a Transferred Loan is otherwise written-off or cancelled in whole or in part earlier than its original Loan Write-Off Date (the **"Loan Cancellation Amendment"**);
- (d) if the Secretary of State makes any amendments (other than those referred to in (a), (b) and (c) above) to the terms of the Transferred Loans set out in the Repayment Regulations and such amendment has a Material Adverse Effect, for the avoidance of doubt, when considered in relation to the entire Portfolio (an **"Other Terms Amendment"**); and
- (e) if there is a change in law or regulation as a result of which the Transferred Loans are agreements regulated by the CCA and/or FSMA and the Low Interest Exemption is not available in respect of the Transferred Loans and such change in law or regulation has a Material Adverse Effect (a **"CCA Change"**),

provided that:

- (i) no Compensation Event shall occur in relation to any change to the interest accrual amounts on student loan balances following the introduction of more frequent data sharing which results in student loan repayments being applied against balances on or around the time when the repayment is made by the Borrower rather than being applied retrospectively by SLC in 12 equal monthly instalments as is the practice at the date of the Loan Sale Agreement;

- (ii) no Compensation Event shall occur in relation to any change to the terms of the Transferred Loans set out in the Repayment Regulations in relation to the allocation of voluntary repayments between Plan 1 Loans and Plan 2 Loans (or equivalent or replacement student loans offered by the Government from time to time); and
- (iii) no Compensation Event shall occur in relation to a Transferred Loan that is a Teacher Forgiveness Loan;

**"Compensation Payment"** means a payment of compensation payable to the Issuer under the Loan Sale Agreement as a result of changes made by the Secretary of State to the Loan Regulations;

**"Conditions"** means the terms and conditions of the Notes set out in Schedule 5 (*Conditions*) to the Note Trust Deed, as any of the same may from time to time be amended, varied or restated in accordance with the provisions of the Note Trust Deed and any reference to a numbered Condition shall be construed accordingly;

**"Corporate Services Agreement"** means the corporate services agreement entered into on or about the Note Issuance Date between the Issuer, the Corporate Services Provider, the Share Trustee and the Security Trustee (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Corporate Services Provider"** means Intertrust Management Limited, and any successor or replacement Corporate Services Provider appointed from time to time in accordance with the Corporate Services Agreement;

**"CRA3"** or **"CRA Regulation"** means the Credit Rating Agencies Regulation 1060/2009 of the European Parliament and the Council of 16 September 2009 as amended (including by Regulation 462/2013) or replaced from time to time;

**"CRA3 RTS"** means Commission Delegated Regulation (EU) 2015/3 of 30 September 2014, as amended from time to time;

**"CRR"** means Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended from time to time;

**"Customer Book"** means the customer book maintained by the Master Servicer (or a Delegate on its behalf) following the occurrence of a Compensation Event which will record the actual balances under each Transferred Loan following such Compensation Event;

**"Cut-Off Date"** means 31 March 2016;

**"Data Tape"** means the file or files provided to the Issuer on or about the Note Issuance Date containing anonymised details of the ICR Loans expected to comprise the Portfolio;

**"Day Count Fraction"** means:

- (a) in respect of the calculation of an amount of interest on any Class A1 Note or Class B Note for any period of time: Actual/365; or
- (b) in respect of the calculation of an amount of interest on any Class A2 Note or Class X Note for any period of time: Actual/Actual;

**"Deed of Charge"** means the deed of charge dated on or about the Note Issuance Date between, among others, the Issuer and the Security Trustee (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Definitive Notes"** means any definitive registered note representing a holding of Notes substantially in the form set out in Schedule 2 (*Form of Definitive Note*) of the Note Trust Deed;

**"Delegates"** means, as at the Note Issuance Date, HMRC, SLC and UKGI and thereafter any successor, replacement or additional delegate appointed by the Master Servicer pursuant to the provisions of the Master Servicing Agreement;

**"Determination Date"** means, in respect of any Distribution Date, the day that is four Business Days before such Distribution Date;

**"Devolved Administrations"** means the Ministers for the Economy in Northern Ireland, the Scottish Ministers or the Welsh Government;

**"DfE"** means the Department for Education;

**"Direct Receipt Period"** means, with respect to a Distribution Date, each period for the receipt of Direct Receipts and all other payments and receipts (excluding PAYE Receipts and Self-Assessment Receipts), from (and including) 1 April to (and including) 31 March where the 31 March falls in the year immediately prior to such Distribution Date. The first Direct Receipt Period will be the period from (and including) 1 April 2016 to (and including) 31 March 2017;

**"Direct Receipts"** means all payments received in respect of a Transferred Loan in the form of cheques, wire transfers, standing orders, direct debits or debit or credit card payments, excluding any Tax-Related Receipts and Excluded Amounts;

**"Discharge Date"** means the date on which all of the Secured Obligations have been unconditionally and irrevocably paid or discharged in full to the satisfaction of the Security Trustee;

**"Distribution Date"** means 24 July or, if not a Business Day, the immediately following Business Day. The first Distribution Date will be 24 July 2018;

**"Disqualified Transferee"** has the meaning given to it in Condition 1.6 (*Transfers of Class X Notes*);

**"DPA"** means Data Protection Act 1998;

**"Early Redemption Date"** has the meaning given to it in Condition 5.4 (*Early redemption; UK Tax System or CCA Event*);

**"Eligibility Criteria"** means the criteria with which ICR Loans that are Transferred Loans must comply, as set out in Schedule 2 (*Eligibility Criteria*) of the Loan Sale Agreement;

**"Eligible ICR Loan"** means any ICR Loan which meets the Eligibility Criteria;

**"Eligible Student"** has the meaning given in section 22 of the THEA and the applicable version of the Loan Regulations;

**"ESMA"** means the European Securities and Markets Authority;

**"Estimated Receipts"** means, if the Master Servicer is unable to determine the Recorded Receipt for any Accounts Period (or part thereof), an amount of Receipts the Master Servicer estimates it has received from Borrowers in relation to such Accounts Period (or part thereof) using the latest Forecast Model as specified in the Master Servicing Agreement;

**"Euroclear"** means Euroclear Bank S.A./N.V. as operator of the Euroclear system which is an ICSD;

**"European Economic Area"** means the area comprising the member states of the European Union together with Iceland, Lichtenstein and Norway within which the 1992 European Economic Area Agreement applies;

**"European Union"** or **"EU"** means the supranational organisation of states established with that name by the Treaty on European Union (signed in Maastricht on 7 February 1992) as enlarged by the Treaty of Accession (signed in Athens on 16 April 2003), and as may be enlarged from time to time by the agreement of the member states thereof;

**"Eurozone"** means the region comprised of EU member states that adopt the Euro in accordance with the Treaty on the Functioning of the European Union;

**"Event of Default"** means the occurrence of any of the following events which has not been waived in accordance with the Transaction Documents:

- (a) the Issuer becomes subject to Insolvency Proceedings;
- (b) the Issuer defaults in the payment of any interest then due and payable on the Senior Class unless such failure to pay is caused by an administrative or technical error and such payment is made within three Business Days of its due date, provided that such a failure to pay interest on the Class X Notes will not at any time constitute an Event of Default (for the avoidance of doubt, a failure to pay interest on the Class B Notes will not constitute an Event of Default if the Class B Notes are not at such time the Senior Class then Outstanding);
- (c) the Issuer defaults on the payment of any principal then due in respect of any Class of Notes when the same becomes due and payable and such default continues for a period of five Business Days or more, provided that such a failure to pay principal on the Class X Notes or, prior to the Maturity Date, on the Class A1 Notes or the Class B Notes, will only constitute an Event of Default if the Available Receipts on the Distribution Date would have been sufficient to pay such amounts in full in accordance with the applicable Priority of Payments. For the avoidance of doubt failure to pay any principal when due and payable on the Class A2 Notes will constitute an Event of Default even if there are insufficient Available Receipts available to make such payment;
- (d) the Issuer fails to pay or perform, as applicable, when and as due any other obligation under the Transaction Documents (in the case of any payment obligation with respect to any Distribution Date, to the extent the Available Receipts as of the immediately preceding Distribution Date would have been sufficient to pay such amounts in accordance with the Pre-Acceleration Priority of Payments), other than any obligation referred to in paragraphs (b) and (c) of this definition and such failure is, in the opinion of the Note Trustee, materially prejudicial to the interests of the holders of the Senior Class then Outstanding and continues for 30 calendar days after the date on which the Note Trustee gives written notice thereof to the Issuer;
- (e) it is or becomes unlawful for the Issuer to perform any of its obligations under the Transaction Documents; or
- (f) any Security created or expressed to be created or evidenced by the Transaction Documents ceases to be effective or any subordination created under the Transaction Documents is not or ceases to be lawful or any obligation or obligations of the Issuer under any Transaction Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and such event, individually or when cumulated with other events falling under this paragraph is materially prejudicial to the interests of the Noteholders;

**"Excess Customer Book Repayments"** means, in respect of any Affected Loan, the sum of all Receipts received by the Seller in respect of such Affected Loan on and from the date that

such Affected Loan has a zero balance as recorded in the Compensation Book, provided however such Affected Loan has a balance outstanding as recorded in the Customer Book;

**"Exchange Event"** means the occurrence of any of the following events:

- (a) any relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs; or
- (c) as a result of any amendment to, or change in (A) the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or (B) the interpretation or administration of such laws or regulations, which becomes effective on or after the Note Issuance 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;

**"Excluded Amounts"** means any fees, penalties or charges (including, for the avoidance of doubt, any penalties or charges imposed by HMRC in relation to tax receipts) arising pursuant to the Loan Regulations in relation to any Receipts, which are not added to the account balance of a Transferred Loan and any other charges incurred by a Delegate in relation to the collection and servicing of ICR Loans but excluding any default interest or any late payment penalties imposed by SLC;

**"Excluded List"** means, in respect of a Fees Shortfall Lender, an entity (or any of its subsidiaries (collectively with such party the **"Relevant Entity"** for the purposes of this paragraph)), or any director, officer, employee, agent, affiliate or representative of the Relevant Entity, which is an entity or individual (a **"Person"**) who or which is currently the subject of any sanctions administered or enforced by the Office of Foreign Assets Control of the U.S. Department of Treasury, the U.S. State Department, any other agency of the U.S. Government, the European Union, the United Nations, Her Majesty's Government or other relevant sanctions authority (collectively, **"Sanctions"**), and in the case of the Relevant Entity is not located, organised or resident in a country or territory that is the subject of Sanctions, where, for the purposes of this definition, a Relevant Entity shall include governments, governmental and public bodies and government owned or controlled enterprises;

**"Excluded Loan"** means an ICR Loan where, as at the Final Extraction Date:

- (a) the Borrower, in relation to the ICR Loan, has also taken out a Plan 2 Loan;
- (b) the Borrower in relation to the ICR Loan also has or had a loan qualifying for the Repayment of Teachers' Loans Scheme;
- (c) the ICR Loan was in the process of being written off, including where the Borrower had been confirmed as deceased or as having Long Term Disability;
- (d) the Borrower will have reached the age of 65 or above by 31 December 2017;
- (e) the ICR Loan was marked as "incorrectly amalgamated" in CLASS (SLC's customer account system) because two distinct Borrowers have incorrectly been linked in a single Borrower record;
- (f) the ICR Loan had been fully repaid or identified by SLC as "full repayment in process";
- (g) the Borrower has not notified SLC that he is an Overseas Borrower and did not have a NiNo Validated;



- (h) the ICR Loan had been flagged by SLC as potentially fraudulent or potentially suspect due to potentially fraudulent activities committed at origination;
- (i) conflicting information is stored by SLC in relation to different customer IDs of a Borrower;
- (j) the duplicate accounts in relation to ICR Loan(s) of the Borrower are merged into one account during remediation and such ICR Loan would otherwise be excluded from the Portfolio;
- (k) the account in relation to the ICR Loan(s) of a Borrower indicates that interest and other charges have only accrued to a date which is earlier than the end of the last completed tax year;
- (l) the ICR Loan has a balance less than £120; or
- (m) the Borrower has no earnings in each year from its latest SRDD to the Cut-Off Date, as recorded in the systems of SLC.

**"Expense Account"** means a specified cash account in the name of the Issuer at the Issuer Account Bank, as may be redesignated or replaced from time to time in accordance with the Transaction Documents;

**"Expense Account Required Amount"** means:

- (a) on the Note Issuance Date, an amount equal to £200,000;
- (b) as at each Distribution Date, an amount equal to £200,000; and
- (c) zero, on the date which is the earliest of: (i) the repayment in full of the Notes; and (ii) the Maturity Date;

**"Extraordinary Resolution"** means:

- (a) a resolution passed at a Meeting with respect to any Class or Classes of Notes duly convened and held in accordance with Schedule 3 (*Provisions for Meetings of Noteholders*) to the Note Trust Deed by a majority of not less than 75% of the votes cast; or
- (b) a Written Resolution;

**"FATCA"** means:

- (a) sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**") or any associated regulations or other official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States of America and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; and
- (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the United States Internal Revenue Service, the government of the United States of America or any governmental or taxation authority in any other jurisdiction;

**"FATCA Deduction"** means a deduction or withholding from a payment under a Transaction Document required by FATCA;

**"Fees Shortfall"** will occur if the Cash Manager calculates following the relevant Servicing Reporting Date, that the Available Receipts on the immediately following Distribution Date are insufficient to make payment of (a) the Issuer Expenses then due and payable in an amount

up to the amount of the Senior Expenses Cap and/or (b) the Servicing Fee then due and payable, in each case on such Distribution Date. For the avoidance of doubt, no Fees Shortfall shall be deemed to have occurred because of an anticipated delay or non-payment of Receipts by the Master Servicer to the Issuer;

**"Fees Shortfall Lenders"** means the Noteholders of the Senior Class or any other third party (other than parties listed on the Excluded List) who advance the Fees Shortfall Loan to the Issuer;

**"Fees Shortfall Loan"** means a loan provided by the Fees Shortfall Lenders to the Issuer in an amount equal to the Fees Shortfall;

**"Fees Shortfall Loan Agreement"** means the loan agreement relating to the Fees Shortfall Loan to be substantially in the form set out in Schedule 6 to the Loan Sale Agreement (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Fees Shortfall Repurchase Option"** means the option of the Seller to repurchase all outstanding Transferred Loans held by the Issuer following the determination of a Fees Shortfall in accordance with, and subject to the terms of, Clause 8.9 (*Repurchase; Fees Shortfall*) of the Loan Sale Agreement;

**"Final Extraction Date"** means 30 April 2017;

**"Fitch"** means Fitch Ratings Limited;

**"Force Majeure Event"** means an event beyond the reasonable control of the affected party, including strike, lock-out, labour dispute, act of God, war, riot, civil commotion, malicious damage, accident, failures and delays in the banking system, breakdown of plant or machinery, computer software, hardware or system failure, fire, flood and/or storm;

**"Forecast Model"** means the internal receipt model maintained by the Master Servicer based on which the Master Servicer makes certain projections (including projections of receipts and cashflows) in relation to the Transferred Loans, the most recent version of which can be accessed via the User Interface v9.62.2 and obtained on the following website as at and following the date of the Prospectus: <https://sf.citidirect.com>;

**"FPS Return"** means the P14s or, since April 2013, the full payment submission return that an employer submits periodically (usually monthly) to HMRC as part of RTI reporting in respect of each employee, which data the Master Servicer will process from time to time to determine how much was due to be collected by the employer for that employee for the applicable tax year;

**"FSMA"** means the Financial Services and Markets Act 2000, as amended from time to time;

**"Further Transfer Arrangements"** means further transfer arrangements as defined in s.3(1) of the SSLA, being arrangements made under s.3 for an onward transfer of legal rights and obligations originally transferred by the Seller to the Issuer;

**"Global Note"** shall have the meaning set out in Condition 1.1 (*Form*);

**"Government"** means Her Majesty's Government of Great Britain and Northern Ireland;

**"Gross Payment Direction"** means a direction from HMRC that interest may be paid gross pursuant to the relevant double tax treaty;

**"Gross Redemption Yield"** means a yield calculated by the Nominated Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-

Coupon Date) (published on 8th June, 1998 and updated on 15th January, 2002 and 16th March, 2005) (as amended or supplemented from time to time);

"**HEI**" means a higher education institution;

"**HMRC**" means Her Majesty's Revenue & Customs;

"**HMRC Information**" means any information held by HMRC in connection with its functions in accordance with sections 17 to 19 of the Commissioners for Revenue and Customs Act 2005;

"**HoldCo**" means Income Contingent Student Loans 1 (2002-2006) Holdings Limited;

"**HoldCo Share Trust**" means a discretionary trust under the terms of which the entire issued share capital of the HoldCo is held on trust by the Share Trustee;

"**Holding Company**" in relation to any entity means any company or corporation of which that entity is a Subsidiary;

"**Holding Period IRR**" means, in respect of a Purchased Note, the IRR calculated over the Investor's Holding Period, based on (a) the price at which the Purchased Note was acquired by the relevant Class X Note Purchaser and (b) all Interest Amounts, Class X Note Profit Participating Interest Amounts and other distributions and payments or repayments made on the Purchased Note to the relevant Class X Note Purchaser and the Transfer Value for such Purchased Note;

"**Holding Period IRR Threshold**" means the sale price (expressed in Sterling) of a Purchased Note which would, on the relevant Transfer Date, result in the Holding Period IRR equaling the Target Holding IRR in respect of such Purchased Note;

"**ICR Loan**" means an income contingent repayment loan within the meaning of section 1(2) of the Student Loans Act 2008 (as amended from time to time), including Plan 1 Loans and Plan 2 Loans, made in accordance with the Loan Regulations;

"**ICSD**" means an International Central Securities Depository;

"**Income Tax and NI Activities**" means the activities of HMRC relating to PAYE Receipts and Self-Assessment Receipts through the UK Tax System generally;

"**Index Event**" shall have the meaning set out in Condition 5.6 (*Redemption for indexation reasons*);

"**Index Provider**" means the entity that publishes or announces (directly or through an agent) the level of RPI, which as of the Note Issuance Date is the Office of National Statistics;

"**Index Rate**" has the meaning given to it in Condition 4.7 (*Additional indexation provisions*);

"**Index Reference Gilt**" means the 1.125% Treasury Gilt 2037 or such other index-linked UK Government Gilt that the Issuer (with the advice of the Nominated Financial Adviser) may determine (failing such determination, as determined by the Note Trustee with such advice) to be the most appropriate benchmark inflation-linked UK Government Gilt;

"**Indexation Adviser**" means any gilt-edged market maker or other adviser appointed by the Master Servicer, provided that the identity of the Indexation Adviser has been approved by the Note Trustee;

"**Initial Investor Target Holding IRR Threshold**" means the sale price (expressed in Sterling) of a Purchased Note which would, on the relevant Transfer Date, result in the Holding Period IRR equaling the Target Holding IRR in respect of such Purchased Note, assuming that such Purchased Note had been held by the relevant Class X Note Purchaser from the Note Issuance Date;

**"Initial IRR"** means, in respect of a Class X Note in a denomination of £100,000, the IRR based on the Issue Price for a Class X Note and all distributions (including all Interest Amounts, Class X Note Profit Participating Interest Amounts and other distributions and payments or repayments made on a Class X Note) to be made in accordance with the Base Case Cashflows in respect of a Class X Note;

**"Initial Transfer"** means, in respect of the Class X Notes, a duly completed and executed form of transfer in the form set out in Appendix I (*Form of transfer of Definitive Note*) to Schedule 2 (*Form of Definitive Note*) of the Note Trust Deed to be delivered by the relevant Placement Agent to the Issuer on the Note Issuance Date in accordance with the terms of the Class X Note Purchase Agreements;

**"Insolvency"** of a person includes the bankruptcy, insolvency, winding-up, liquidation, administration, examination, amalgamation, reconstruction, reorganisation, arrangement, adjustment, administrative or other receivership or dissolution of that person, the official management of all of its revenues or other assets or the seeking of protection or relief of Borrowers and any equivalent or analogous proceeding by whatever name known and in whatever jurisdiction;

**"Insolvency Proceedings"** means, in respect of a person:

- (a) an order (including a bank insolvency order or bank administration order) is made or an effective resolution passed for the winding up or liquidation of that person, 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 Note Trustee in writing;
- (b) that person, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (a) above, ceases or, through an authorised action of its board of directors, threatens to cease to carry on all or substantially all of its business or is deemed unable to pay its debts as and when they fall due; or
- (c) proceedings are initiated against that person under any applicable liquidation, insolvency, bankruptcy, composition, examination, reorganisation (other than a reorganisation where that person is solvent) or other similar laws (including, but not limited to, presentation of a petition for an examination order, the filing of documents with the court for the appointment of an examiner, the service of a notice of intention to appoint an examiner or the taking of any steps to appoint an examiner) and such proceedings are not being disputed in good faith with a reasonable prospect of success or an examination order is granted or the appointment of an examiner takes effect or an examiner or other receiver, liquidator, trustee in sequestration, bank administrator, bank liquidator or other similar official is appointed in relation to that person or in relation to the whole or any substantial part of the undertaking or assets of that person, or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of that person, or a distress, execution or diligence or other process is levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of that person and such possession or process (as the case may be) is not discharged or otherwise ceased within 30 calendar days of its commencement, or that person (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, examination, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness;

**"Instructing Secured Creditor"** means:

- (a) until the full and final payment of all amounts payable to the Noteholders, the Note Trustee; then

- (b) if there are no Notes outstanding, the person appearing highest in the Priority of Payments to whom amounts are then owing (provided that, where there is more than one such person ranking *pari passu*, the Security Trustee shall act in accordance with the written instructions of the person (if any) to whom the greatest amount is then owing by the Issuer);

**"Interest Amount"** means, as at any Distribution Date, the amount of interest payable by the Issuer in respect of each Note on such Distribution Date as calculated in accordance with Condition 4.3 (*Interest Amount*);

**"Interest Determination Date"** has the meaning given to it in Condition 4.8 (*LIBOR determination*);

**"Interest Period"** shall have the meaning given to it in Condition 4.4 (*Interest Period*);

**"Interest Rate"** shall have the meaning given to it in Condition 4.5 (*Interest Rate*);

**"Interest Rate Amendment"** has the meaning given to it in paragraph (a) of the definition of Compensation Event;

**"Interest Rate Cap"** means the base rate (which is the highest of the base rates published by the Bank of England and a specified group of other banks set out in Article 60G(7) at the Regulated Activities Order) determined on a monthly basis plus 1%;

**"Interest Shortfall"** means, with respect to any Note, any Interest Amount accrued but unpaid on such Note and, with respect to the Class B Notes for as long as they are not the Senior Class then Outstanding, deferred on any Distribution Date pursuant to Condition 4.10 (*Interest Shortfall*) and added to the Note Principal Amount of the relevant Class;

**"Interim Collections Report"** means the annual report prepared by the Master Servicer in relation to the Portfolio, substantially in the form set out in Annex 2 (*Form of Interim Collections Report*) of the Prospectus, outlining the amount of collections recorded in SLC's systems as at the Interim Collections Report Extraction Date, as a result of data provided by the Delegates in relation to PAYE Receipts, SA Receipts and Direct Receipts for the most recent preceding Accounts Period.

**"Interim Collections Report Extraction Date"** means a date falling on or around 31 December each year with the first such date being on or around 31 December 2017 and, in respect of a Distribution Date means on or around the 31 December immediately prior to the Distribution Date.

**"Interim Collections Reporting Date"** means on or around the 31 January immediately preceding the Nil Return Sweep Date or, if the Master Servicer determines that it is not possible to deliver the Interim Collections Report on such date, any other date preceding the Nil Return Sweep Date as determined by the Master Servicer;

**"Internal Rate of Return"** means, as of any date, the annualised internal rate of return (computed using the "XIRR" function in Microsoft® Excel or, if Microsoft® Excel is no longer available, an equivalent function in another software package) based on the price at which the Class X Notes were issued on the Note Issuance Date, all the distributions made on the Class X Notes prior to such date and any distribution made or to be made on such date as calculated by the Nominated Financial Adviser;

**"Investor Report"** means the annual report prepared by the Cash Manager in relation to the Portfolio, the Notes and compensation cash flows which would include information from the Servicing Report substantially in the form set out in Schedule 4 (*Form of Investor Report*) of the Cash Management Agreement;

**"Investor's Holding Period"** means, in respect of a Purchased Note, the period beginning on (and including) the date on which the relevant Class X Note Purchaser acquires the

Purchased Note and ending on (and including) the date the Class X Note Purchaser disposes of the Purchased Note;

**"IRR"** means, in respect of calculations of Initial IRR and Holding Period IRR, in relation to a Purchased Note or a Class X Note, as applicable, as of any date, the annualized internal rate of return (computed using the "XIRR" function in Microsoft® Excel or, if Microsoft® Excel is no longer available, an equivalent function in another software package);

**"Issue Price"** means:

- (a) in respect of Class A1 Notes 99.030%;
- (b) in respect of Class A2 Notes 93.123%;
- (c) in respect of Class B Notes 86.550%; and
- (d) in respect of Class X Notes 8.500%;

**"Issuer"** means Income Contingent Student Loans 1 (2002-2006) PLC;

**"Issuer Account Bank"** means the bank at which the Issuer Bank Accounts are maintained from time to time, being as at the Note Issuance Date, Citibank N.A., London Branch, whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, and thereafter such other replacement Issuer Account Bank as may be appointed in accordance with the terms of the Issuer Bank Account Agreement;

**"Issuer Bank Account Agreement"** means the agreement entered into on or about the Note Issuance Date between the Issuer Account Bank, the Issuer, the Cash Manager and the Security Trustee which governs the operation of the Issuer Bank Accounts (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Issuer Bank Accounts"** means the Issuer Transaction Account, the Expense Account, the Note A2 Cash Account and the Issuer Custody Account;

**"Issuer Expenses"** means, *pro rata* and *pari passu*, any fees, costs, expenses, indemnities and other amounts then due or to become due and payable to:

- (a) the Corporate Services Provider;
- (b) the Issuer Account Bank;
- (c) the Agents;
- (d) the Cash Manager;
- (e) the Master Servicer (other than any Overpayment Amounts or the Servicing Fee);
- (f) the Share Trustee; and
- (g) third party service providers which are incurred in the ordinary course of the Issuer's activities without breach by the Issuer of the Transaction Documents to which it is a party (and to which payment has not been provided for elsewhere in the Priority of Payments) including any accounting firm performing the controls audit of the Master Servicer in accordance with the terms of the Master Servicing Agreement (including, in respect of the winding-up or striking off of the Issuer after the Seller has exercised the Fees Shortfall Repurchase Option) and any Rating Agency;

**"Issuer ICSD Agreement"** means the agreement dated on or about the Signing Date between the Issuer, Euroclear and Clearstream, Luxembourg (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Issuer Custody Account"** means a specified securities account in the name of the Issuer at the Issuer Account Bank, as it may be redesignated or replaced from time to time in accordance with the Transaction Documents;

**"Issuer Power of Attorney"** means the power of attorney granted by the Issuer to the Security Trustee under the Deed of Charge;

**"Issuer Retained Amount"** means an amount equal to £1,000 on the Note Issuance Date and £1,000 per annum thereafter;

**"Issuer Transaction Account"** means a specified cash account in the name of the Issuer at the Issuer Account Bank, as it may be redesignated or replaced from time to time in accordance with the Transaction Documents;

**"IVA"** means an individual voluntary arrangement;

**"Joint Bookrunners"** means Barclays, JPMorgan, Lloyds Bank plc and Credit Suisse Securities (Europe) Ltd;

**"Joint Lead Managers"** means Barclays, JPMorgan, Lloyds Bank plc and Credit Suisse Securities (Europe) Ltd;

**"JPMorgan"** means J.P. Morgan Securities plc;

**"Legal Reservations"** means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under the Limitation Act 1980, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of UK stamp duty may be void and defences of set-off or counterclaim; and
- (c) also in respect of the obligations of the Secretary of State, the immunity of the Crown from ordinary modes of enforcing a judgment pursuant to Section 25 of the Crown Proceedings Act 1947;

**"Liabilities"** means any loss, liability, cost, claim, charge, award, indemnity, demand, damage, expense, judgment, action, proceeding or other liabilities whatsoever including, without limitation, reasonable legal fees and any VAT charged or chargeable in respect of any of the sums referred to in this definition (to the extent credit or repayment in respect of such VAT is not obtainable from any tax authority);

**"LIBOR"** has the meaning given to it in Condition 4.8 (*LIBOR determination*);

**"Loan Account Records"** means the records maintained by SLC on behalf of the Master Servicer in respect of each Borrower;

**"Loan Agreement"** means the student loan agreement pursuant to which the relevant ICR Loan was advanced by the Secretary of State or a Devolved Administration, consisting of the loan declarations and other terms contained in the loan request form signed by the Borrower and the terms set out in the applicable Loan Regulations;

**"Loan Arrangements"** has the meaning given in section 1(4)(b) of the SSLA, and includes Loan Terms that do not derive from the Loan Regulations;

**"Loan Cancellation Amendment"** has the meaning given to it in paragraph (c) of the definition of Compensation Event;

**"Loan Repurchase Notice"** means a notice of the Seller setting out the Transferred Loans that it will repurchase or in relation to which it will make a payment in accordance with Clause 8.5 (*Repurchase; Breach of Loan Warranties*) of the Loan Sale Agreement due to a breach of a Loan Warranty substantially in the form set out in Schedule 4 (*Loan Repurchase Notice*) to the Loan Sale Agreement;

**"Loan Regulations"** means the statutory instruments made under section 22 of the THEA relating to any Transferred Loan (including, without limitation, the Support Regulations), as amended from time to time;

**"Loan Related Data"** means data about the running of Borrower accounts and the performance of the Transferred Loans;

**"Loan Sale Agreement"** means the contract between, *inter alios*, the Secretary of State and the Issuer pursuant to which that Issuer will purchase Transferred Loans, being a Transfer Arrangement under the Act (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Loan Terms"** means the terms of a Loan Agreement;

**"Loan Warranties"** means the representations and warranties made by the Seller in respect of the Transferred Loans set out in Schedule 3 (*Loan Warranties*) of the Loan Sale Agreement;

**"Loan Write-Off"** means the write-off and/or cancellation of a Transferred Loan on the occurrence of a Loan Write-Off Date pursuant to the Loan Regulations or pursuant to primary legislation;

**"Loan Write-Off Date"** means the date on which the event occurs pursuant to which a Transferred Loan is required to be written off and/or cancelled in accordance with the Loan Regulations or pursuant to primary legislation and, where more than one such date is specified, the earlier to occur of such dates;

**"Loan Write-Off Date Amendment"** has the meaning given to it in paragraph (c) of the definition of Compensation Event;

**"Local Authority"** means a Local Authority, formerly referred to as a "Local Education Authority";

**"Long Term Disability"** means, in relation to a Borrower, the Borrower receives a disability-related benefit and, because of the disability, is permanently unfit for work (as evidenced to SLC);

**"Longstop Date"** means 180 calendar days after the later of (a) a Servicing Event or (b) a Responsible Person of the Master Servicer becoming aware of a Servicing Event;

**"Losses"** means losses (including loss of profit), claims, demands, actions, proceedings, damages and other payments, costs, expenses and other liabilities of any kind;

**"Low Interest Exemption"** means the exemption from the FSMA set out in article 60G(3) of the Regulated Activities Order;

**"Maintenance Loan"** means a loan provided by Government to help eligible students undertaking higher education with living costs;

**"Master Definitions and Construction Agreement"** means the master definitions and construction agreement dated on or about the Note Issuance Date (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);



**"Master Servicer"** means the Secretary of State in its capacity as master servicer of the Portfolio under the Master Servicing Agreement;

**"Master Servicer Controls Audit Report"** means a market standard auditor to auditor report in the form of an ISAE 3402 controls audit;

**"Master Servicing Agreement"** or **"MSA"** means the agreement between, *inter alios*, the Master Servicer and the Issuer pursuant to which the Master Servicer will agree to perform (or procure the performance of) the servicing and collections in respect of Transferred Loans (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Matched Borrower"** means a person who has been matched on HMRC's systems as a Borrower, based on information provided by SLC, who has a United Kingdom income and is subject to charge to UK income tax on his United Kingdom income;

**"Material Adverse Effect"** means:

- (a) a material adverse effect on the validity or enforceability of the Transferred Loans;
- (b) a material adverse effect on the Issuer's interest in the Transferred Loans or the receipts with respect thereto;
- (c) in respect of the Master Servicer or the Issuer, a material adverse effect on:
  - (i) the operations, assets, property, condition (financial or otherwise) or prospects of the Master Servicer or the Issuer;
  - (ii) the ability of the Master Servicer or the Issuer to perform its obligations under the MSA; or
  - (iii) the rights or remedies of the Master Servicer or the Issuer under the MSA,

other than, in respect of a failure to pay an amount due under the MSA, a material adverse effect which would not reasonably be expected to, or upon investigation and quantification does not, result in the failure in paying or depositing an amount greater than the higher of (i) £1,000,000 or (ii) 2% of the total Receipts transferred by the Master Servicer to the Issuer on the immediately preceding MS Payment Date;

**"Maturity Date"** means the Distribution Date falling in July 2056;

**"Meeting"** means a meeting of Noteholders of any Class (whether originally convened or resumed following an adjournment);

**"Ministers in the Devolved Administrations"** means the Minister for the Economy in Northern Ireland, the Scottish Ministers or the Welsh Ministers;

**"Model Information Package"** means:

- (a) a quality assured mechanical update of the Transition Assumptions informed by Borrower-Level Data on the Transferred Loans received for the period ending no earlier than the tax year ending the year prior to the Servicing Reporting Date and a random sample of longitudinal earnings data for approximately 10% of UK taxpayers provided by HMRC for a period ending no earlier than the tax year ending in the 3 years' prior to the Servicing Reporting Date;
- (b) the latest publicly available annual forecast assumptions published by the Office for Budget Responsibility (the **"OBR"**) to the extent the OBR has published such forecast assumptions since the immediately preceding Servicing Reporting Date; and
- (c) Open Loans Data;

**"Modification Certificate"** shall have the meaning set out in Condition 14.3 (*Additional Modification rights*);

**"Modification Conditions"** shall have the meaning set out in Condition 14.3 (*Additional Modification rights*);

**"MS Modification Certificate"** shall have the meaning set out in Condition 14.4 (*Modifications to the Master Servicing Agreement*);

**"MS Payment Date"** means the third Thursday in July or, if not a Business Day, the immediately following Business Day;

**"Net Compensation Book"** means the net compensation book maintained by the Master Servicer (or a Delegate on its behalf) following the occurrence of multiple Compensation Events, that will record the balances under each Affected Loan assuming that none of the Compensation Events had occurred. For the avoidance of doubt, references to a copy of the Net Compensation Book provided by the Master Servicer to the Cash Manager shall be to the Net Compensation Book which has been aggregated up to borrower level and anonymised by the Master Servicer;

**"Nil Return Sweep Date"** means a date falling on or around 30 April each year, with the first such date being 30 April 2018 and, in respect of a Distribution Date, means the 30 April immediately preceding the Distribution Date;

**"NiNo"** means a National Insurance number;

**"NiNo Validated"** means, either:

- (a) the borrower is "matched" on the UK Tax System, as recorded on CLASS, or
- (b) the borrower had a NiNo validated by the Department of Work and Pensions, as recorded on CLASS;

**"Nominated Financial Adviser"** means a financial advisor nominated by the Issuer and approved by the Note Trustee;

**"Non-Existent Loan"** means, in respect of any Transferred Loan to be repurchased in accordance with Clause 8.5 (*Repurchase; Breach of Loan Warranties*) of the Loan Sale Agreement, a Transferred Loan that has never existed or that has ceased to exist such that it is not outstanding on the date on which it is due to be repurchased pursuant to Clause 8.5 (*Repurchase; Breach of Loan Warranties*) of the Loan Sale Agreement;

**"Note A2 Cash Account"** means a specified cash account in the name of the Issuer at the Issuer Account Bank, as it may be redesignated or replaced from time to time in accordance with the Transaction Documents;

**"Note A2 Cash Account Target"** means, on each Distribution Date, the difference, if positive, between (i) the aggregate Class A2 Principal Amount and (ii) the balance standing to the credit of the Note A2 Cash Account;

**"Note Issuance Date"** means the date on which the Notes are issued by the Issuer;

**"Note Principal Amount"** means, as of any date, in respect of any Note, the initial principal amount of that Note (in the aggregate amount of £810,573,000 in respect of the Class A1 Notes, £697,057,000 in respect of the Class A2 Notes, £120,610,000 in respect of the Class B Notes and £1,919,125,000 in respect of the Class X Notes), in each case as reduced by all amounts paid prior to such date on such Note in respect of principal;

**"Note Principal Payment"** has the meaning given to it in Condition 5.3 (*Pass-through Amortisation*);

**"Note Trust Deed"** means the note trust deed dated on the Note Issuance Date between, *inter alia*, the Issuer and the Note Trustee (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Note Trustee"** means Citicorp Trustee Company Limited or any successor therefore and/or additional Note Trustee appointed pursuant to the Note Trust Deed;

**"Noteholder"** and **"holder"** means the person(s) holding any Notes from time to time, save that, for so long as interests in any Class of the Notes are represented by a Global Note deposited with a common safekeeper for one or more of the Clearing Systems, such terms mean each person (other than the relevant Clearing System) who is for the time being shown in the records of the relevant Clearing System as the holder of a particular amount of such Notes (in which regard any certificate or other document issued by the relevant Clearing System as to the amount of such Notes standing to the account of any person shall be conclusive evidence for all purposes) and such person shall be treated by the Issuer, the Note Trustee and all other persons as the holder of such amount of Notes for all purposes of the Notes, the Note Trust Deed and the other Transaction Documents, other than with respect to the payment of principal or interest on such Notes, the rights to which shall be vested, as against the Issuer, the Note Trustee and all other persons, solely in such common safekeeper and for which purpose such common safekeeper shall be deemed to be the holder of such principal amount of such Notes in accordance with and subject to the Conditions and the terms of the Global Note, the Note Trust Deed and the other Transaction Documents);

**"Noteholder Tax Certificate"** means a certificate in the form set out in Schedule 7 (*Noteholder Tax Certificate*) of the Note Trust Deed;

**"Notes"** means the Class A Notes, the Class B Notes and the Class X Notes;

**"NSS"** or **"New Safekeeping Structure"** means a structure where a Global Note which is registered in the name of a nominee of the Common Safekeeper for Euroclear and/or Clearstream, Luxembourg and the relevant Global Note will on or about the Note Issuance Date be registered in the name, and deposited with the Common Safekeeper;

**"Offered Notes"** means the Class A Notes and the Class B Notes;

**"Official List"** means the official list maintained by the U.K. Listing Authority;

**"Open Loans Data"** means data on Transferred Loans with open balances at the most recent reporting date which are in a suitable format as data input files for the then current Forecast Model;

**"Ordinary Resolution"** means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Note Trust Deed and the Conditions by a majority of not less than 50% of the votes cast; or
- (b) a resolution in writing signed by or on behalf of Noteholders holding, in aggregate, not less than 50% of the Note Principal Amount of the relevant Class of Notes then Outstanding, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class;

**"Other Terms Amendment"** has the meaning given to it in paragraph (d) of the definition of Compensation Event;

**"Outstanding"** means, in relation to the Notes, all the Notes other than:

- (a) those which have been redeemed in full and cancelled in accordance with the Conditions;

- (b) those in respect of which the date for redemption in accordance with the provisions of the Conditions has occurred and for which the redemption moneys (including all interest accrued but unpaid thereon to the date for such redemption) have been duly paid to the Note Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the relevant Noteholders in accordance with Condition 16 (*Notices to Noteholders*)) and remain available for payment in accordance with the Conditions; and
- (c) those which have been purchased and surrendered for cancellation as provided in Condition 5 (*Redemption*) and notice of the cancellation of which has been given to the Note Trustee,

provided that, for each of the following purposes, namely:

- (i) the right to attend and vote at any Meeting of Noteholders including for the purposes of giving directions, making requests and passing resolutions (including Extraordinary Resolutions and Written Resolutions);
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clauses 8 (*Waivers*) and 11.3 (*Proceedings*) of the Note Trust Deed, Condition 14 (*Meetings of Noteholders; Modifications*) and Schedule 3 (*Provisions for Meetings of Noteholders*) to the Note Trust Deed; and
- (iii) any discretion, right, power or authority, whether contained in the Note Trust Deed or provided by law, which the Note Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of one or more Relevant Persons shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except where:

- (i) all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons; or
- (ii) any Notes are held by any person (other than a Relevant Person) who holds such Notes on behalf of or for the benefit of an Affiliate of the Seller on a fully discretionary arm's length basis,

then in each case, such Notes shall be deemed to remain outstanding;

**"Outstanding Amount"** means, with respect to any Transferred Loan as of any date, an amount equal to:

either:

- (a)
  - (i) the amount outstanding as of the Cut-Off Date, as recorded in the computer systems of the Master Servicer (or its Delegates) at the Final Extraction Date, under such Transferred Loan plus all accrued interest calculated at a rate equal to the lower of the Interest Rate Cap and the percentage increase between the actual rate of RPI on which interest is determined in the March immediately prior to the start of the academic year and the preceding March thereon; minus
  - (ii) the aggregate amount of Receipts received by the Master Servicer in respect of such Transferred Loan after the Cut-Off Date and recorded in the computer systems of the Master Servicer (or its Delegates) as applied in repayment of such Transferred Loan; minus

- (iii) the amount of any reduction in the balance of such Transferred Loan owed by the Borrower on such Transferred Loan after the Cut-Off Date and recorded on the computer systems operated by the Master Servicer (or its Delegates) as a result of a cancellation or any set-off or discount; plus
  - (iv) the amount of any increase in the balance of such Transferred Loan as a result of a refund due to the Borrower on such Transferred Loan after the Cut-Off Date and recorded on the computer systems operated by the Master Servicer (or its Delegates) following the Borrower's application for such refund and satisfaction of the conditions for such refund; or
- (b) if such Transferred Loan is recorded by the Master Servicer in the Customer Book as having a loan balance of zero, zero.

**"Overpayment Amount"** means, either (a) in respect of an error in determining Recorded Receipts or (b) as a result of a True-Up following payment of Estimated Receipts or (c) as a result of an over-repayment by a Borrower or (d) as a result of an error in determining a Compensation Payment, the amount of an overpayment of Receipts in respect of a Transferred Loan or, as the case may be, an overpayment of a Compensation Payment that has been made to the Issuer in respect of an Affected Loan;

**"Overseas Borrower"** means a Borrower who is not resident in the United Kingdom for tax purposes;

**"PAYE"** means the pay as you earn tax receipt system operated by HMRC through which employers make tax and national insurance deductions from employees' salaries for remittance to HMRC, such system also being used to make deductions in respect of ICR Loan repayments, or any replacement or successor to such system;

**"PAYE Receipt Period"** means, with respect to a Distribution Date, each period for receipt of PAYE Receipts, from (and including) 6 April to (and including) 5 April where the 5 April falls in the year immediately prior to such Distribution Date. The first PAYE Receipt Period will be the period from (and including) 6 April 2016 to (and including) 5 April 2017;

**"PAYE Receipts"** means all payments recorded as received by HMRC through PAYE from an employer of a Borrower in respect of a Transferred Loan by way of a deduction at source from the Borrower's pay, excluding any Excluded Amounts;

**"Period End Date"** means, with respect to an Accounts Period, the last day of the Accounts Period;

**"Permitted Investments"** means (a) Sterling gilt-edged securities; and (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper), **provided that**:

- (a) in the case of investments (other than money market funds) with remaining maturities which are less than 30 days:
    - (i) such investments have been given
      - (1) either (A) a short-term rating of at least F1 by Fitch or (B) (if a long-term rating is available) a long-term rating of at least A by Fitch; and
      - (2) a short-term rating of at least A-1 by S&P,
- (or such other lower short-term or long-term rating by the relevant Rating Agency which would not affect their then current rating of the Class A Notes); and

- (ii) the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least:
  - (1) either (A) F1 by Fitch (short-term) or (B) (if the issuing or guaranteeing entity has a long-term rating) A by Fitch(long-term); and
  - (2) A-1 by S&P (short-term),(or such other lower short-term or long-term rating by the relevant Rating Agency which would not affect their then current rating of the Class A Notes);
- (b) in the case of investments (other than money market funds) with remaining maturities which are greater than or equal to 30 days but less than 365 days:
  - (i) such investments have been given
    - (1) either (A) a short-term rating of at least F1+ by Fitch or (B) (if a long-term rating is available) a long-term rating of at least AA- by Fitch; and
    - (2) either (A) a short-term rating of at least A-1 by S&P or (B) (if a long-term rating is available) a long-term rating of at least A by S&P,(or such other lower short-term or long-term rating by the relevant Rating Agency which would not affect their then current rating of the Class A Notes); and
  - (ii) the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least:
    - (1) either (A) F1+ by Fitch (short-term) or (B) (if the issuing or guaranteeing entity has a long-term rating) AA- by Fitch; and
    - (2) either (A) A-1 by S&P (short-term) or (B) (if the issuing or guaranteeing entity has a long-term rating) A by S&P (long-term),(or such other lower short-term or long-term rating by the relevant Rating Agency which would not affect their then current rating of the Class A Notes);
- (c) in the case of money market funds, such money market funds hold an AAmmf money market fund rating from Fitch and an AAAM money market fund rating from S&P; and

***provided further that*** in all cases such investments:

- (d) have a maturity date, in the case of the Note A2 Cash Account, of 12 months or less and mature before the next following Distribution Date; and
- (e) do not, nor could they, consist, in whole or in part, actually or potentially, of tranches of other asset-backed securities, credit-linked notes, swaps or other derivatives instruments or synthetic securities;

**"Personal Data"** has the meaning given in s.1 of the DPA, and broadly means data which (either on its own, or taken together with other data that is in, or may come into, a data controller's possession) identifies a living individual;

**"Placement Agents"** means each of Barclays and JPMorgan in their capacity as placement agent in relation to the Class X Notes;

**"Plan 1 Loan"** means an ICR Loan made to a student who started a new course between 1 September 1998 and 31 August 2012;

**"Plan 2 Loan"** means an ICR Loan made to a student who started a new course on 1 September 2012 or later;

**"Pool Factor"** has the meaning given to it in Condition 5.3 (*Pass-through Amortisation*);

**"Portfolio"** means the Transferred Loans;

**"Post-Acceleration Priority of Payments"** means the order in which the Available Receipts in respect of each Distribution Date shall be applied as set out in Condition 2.4 (*Post-Acceleration Priority of Payments*) and Schedule 2 (*Post-Acceleration Priority of Payments*) of the Deed of Charge;

**"Pounds", "Sterling", "GBP" and "£"** are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the **"United Kingdom"** or **"UK"**);

**"Pre-Acceleration Priority of Payments"** means the order in which the Available Receipts in respect of each Distribution Date shall be applied as set out in Condition 2.3 (*Pre-Acceleration Priority of Payments*) and Schedule 3 (*Pre-Acceleration Priority of Payments*) of the Cash Management Agreement;

**"Principal Paying Agent"** means Citibank N.A., London Branch and any successor or replacement principal paying agent appointed from time to time in accordance with the Agency Agreement;

**"Priority of Payments"** means the Pre-Acceleration Priority of Payments or the Post-Acceleration Priority of Payments as applicable and **"Priorities of Payments"** means both of them;

**"Prospectus"** means the prospectus relating to the Offered Notes dated 7 December 2017;

**"Prospectuses"** means the Prospectus and any supplemental prospectus;

**"Prospectus Directive"** means, in respect of any member state of the European Economic Area, Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the relevant member state;

**"Prospectus Rules"** means the prospectus rules made under the FSMA for listing on the London Stock Exchange;

**"Provisional Portfolio"** means the ICR Loans identified as of the Cut-Off Date;

**"Purchased Notes"** means the Class X Notes acquired by a Class X Note Purchaser or, as applicable, a Transferee;

**"Purchase Price"** means £1,714,900,677;

**"Purchase Price Percentage"** means 48.43762%, being the Purchase Price plus certain fees and legal fees of the Arranger and Joint Lead Managers deducted from proceeds of issue of the Notes divided by the Aggregate Outstanding Asset Amount as at the Cut-Off Date, expressed as a percentage;

**"Rating Agencies"** means Fitch and S&P;

**"Reasonably Prudent Servicer"** means a reasonably prudent servicer of loans in the United Kingdom, being a servicer which services the Transferred Loans with a view to the timely and accurate collection of all payments under the Transferred Loans in a cost efficient manner;

**"Receipt Period"** means, with respect to a Distribution Date, each period being a PAYE Receipt Period, an SA Receipt Period or a Direct Receipt Period, as applicable;

**"Receipts"** means

- (a) in respect of the Transferred Loans, Tax-Related Receipts and Direct Receipts which are either Recorded Receipts or Estimated Receipts; and
- (b) in respect of any Definitive Notes, the related principal receipts;

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

**"Record Date"** means, in connection with any payment:

- (a) in relation to the Class A Notes and the Class B Notes (for so long as the Class A Notes and the Class B Notes are represented by Global Notes), the Clearing System Business Day before the due date for the relevant payment; and
- (b) in all other cases, the 10th Business Day before the due date for the relevant payment or, if not a Business Day, the immediately following Business Day,

where **"Clearing System Business Day"** means Monday to Friday inclusive except 25 December and 1 January;

**"Recorded Receipts"** means receipts from Borrowers under Transferred Loans recorded in the Loan Account Records maintained on the computer systems operated by the Master Servicer (or its Delegates);

**"Redemption Amount"** means:

- (a) in relation to the Class A2 Notes, the sum of (i) interest accrued but unpaid thereon up to but excluding the contemplated early redemption date and (ii) their Note Principal Amount or, if higher, the amount (as calculated by the Nominated Financial Adviser) and reported in writing to the Issuer and the Note Trustee) which is equal to the principal amount of the Class A2 Notes to be redeemed multiplied by the price (expressed as a percentage and calculated by the Nominated Financial Adviser) (rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Class A2 Notes (if the Class A2 Notes were to remain outstanding until their original maturity) on the Yield Determination Date would be equal to the sum of (i) the Gross Redemption Yield at 3:00 pm (London time) on the Yield Determination Date of the Benchmark Gilt and (ii) 0.5%; and
- (b) in relation to any other Notes (other than the Class X Notes), their Note Principal Amount together with any interest accrued but unpaid thereon up to but excluding the contemplated early redemption date; and
- (c) in relation to the Class X Notes, an amount equal to the Required IRR;

**"Reference Banks"** means the principal London office of each of five major banks engaged in the London interbank market selected by the Calculation Agent with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Calculation Agent, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;

**"Register"** shall have the meaning set out in Condition 1.3 (Title);



**"Registrar"** means Citibank N.A., London Branch acting as registrar under the terms of the Agency Agreement and any successor or replacement registrar appointed from time to time in accordance with the Agency Agreement;

**"Regulated Activities Order"** means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

**"Regulation S"** means Regulation S under the Securities Act, as amended from time to time;

**"Relevant Person"** means the Issuer, the Seller or any of their respective Affiliates;

**"Remedial Plan"** has the meaning given in Clause 10.2 (*Servicing Event Capable of Cure*) of the Master Servicing Agreement;

**"Remedial Plan Required Circulation Date"** has the meaning given in Clause 10.2 (*Servicing Event Capable of Cure*) of the Master Servicing Agreement;

**"Repayment of Teachers' Loans Scheme"** means the scheme run by Her Majesty's Government to repay, over time, the student loans of qualified teachers of specified shortage subjects in both schools and further education colleges in England and Wales that was piloted for academic years 2002/03-2004/05 and discontinued after academic year 2004/05;

**"Repayment Profile Amendment"** has the meaning given to it in paragraph (b) of the definition of Compensation Event;

**"Repayment Rate"** means the proportion of a Borrower's income or earnings above the Repayment Threshold which is deductible as repayments towards an ICR Loan and as at the Note Issuance Date the Repayment Rate is 9%;

**"Repayment Regulations"** means the Education (Student Loans) (Repayment) Regulations 2009 made under section 22 of THEA, as amended from time to time;

**"Repayment Threshold"** means the threshold above which a Borrower's income or earnings are subject to deductions as repayments towards his or her ICR Loan;

**"Replacement Cash Manager"** means the replacement cash manager appointed pursuant to Clause 14.4 (*Appointment of Replacement Cash Manager*) of the Cash Management Agreement;

**"Repurchase Period Receipt Amount"** means:

- (a) in respect of a Transferred Loan which is repurchased by the Seller, the sum of all amounts of principal, interest or other amounts received in respect of such Transferred Loan during the period from (but excluding) the Period End Date which falls within two calendar years prior to the date on which the repurchase is to be effected, to (and including) the date on which the Transferred Loan is repurchased; and
- (b) in respect of a Transferred Loan which is a Non-Existent Loan and for which payment is to be made under Clause 8.5 (*Repurchase; Breach of Loan Warranties*) of the Loan Sale Agreement, the sum of all amounts of principal, interest and other amounts received in respect of such Transferred Loan during the period from (but excluding) the Period End Date which falls within two calendar years prior to the first MS Payment Date falling after such Transferred Loan being identified as a Non-Existent Loan, to (and including) the first MS Payment Date falling after such Transferred Loan being identified as a Non-Existent Loan;

**"Repurchase Price"** means:

- (a) in respect of a Transferred Loan to be repurchased in accordance with Clause 8.5 (*Repurchase; Breach of Loan Warranties*) of the Loan Sale Agreement, an amount

equal to the Outstanding Amount for such ICR Loan as at the Period End Date which falls within the calendar year which is two calendar years prior to the date on which the repurchase is to take place multiplied by the Purchase Price Percentage or, in respect of a Non-Existent Loan, the Outstanding Amount for such ICR Loan as at the Period End Date which falls within the calendar year which is two calendar years prior to the first MS Payment Date falling after such ICR Loan being identified as a Non-Existent Loan multiplied by the Purchase Price Percentage, save that the amount payable in respect of a Non-Existent Loan on the first MS Payment Date will be an amount equal to the Outstanding Amount of the Non-Existent Loan as at the end of the 2015-2016 financial year multiplied by the Purchase Price Percentage;

- (b) in respect of all Transferred Loans to be repurchased in accordance with Clause 8.10 (*Repurchase; Teacher Forgiveness Event*) of the Loan Sale Agreement, an amount equal to the Outstanding Amount for such Teacher Forgiveness Loan as at the Period End Date which falls within the calendar year which is two calendar years prior to the date on which the repurchase is to take place multiplied by the Purchase Price Percentage; and
- (c) in respect of all the Transferred Loans to be repurchased in accordance with Clause 8.6 (*Repurchase; UK Tax System*) of the Loan Sale Agreement, or Clause 8.8 (*Repurchase; Estimated Receipts*) of the Loan Sale Agreement or Clause 8.7 (*Repurchase; Issuer optional redemption*) of the Loan Sale Agreement or Clause 8.11 (*Repurchase; CCA Event*) of the Loan Sale Agreement, an amount equal to the Redemption Amount together with an amount necessary to satisfy all prior ranking amounts (to the Notes) then due and payable on the relevant Distribution Date in accordance with the applicable Priority of Payments;

**"Required IRR"** means the amount, calculated by the Nominated Financial Adviser, (not less than zero) which, if paid on the Class X Notes on the relevant Early Redemption Date, would cause the Internal Rate of Return on the Class X Notes to be equal to 7.5 % as of such date;

**"Required Ratings"** means that:

- (a) the short-term issuer default rating must be at least F1 or the long-term issuer default rating must be at least A- by Fitch; and
- (b) the short-term unsubordinated, unguaranteed and unsecured debt obligation must be rated at least A-2 by S&P and the long-term unsubordinated, unguaranteed and unsecured debt obligation must be rated at least BBB long-term by S&P,

or such other short-term or long-term rating which is otherwise consistent with the published criteria of the relevant Rating Agency and which the relevant Rating Agency (at its discretion) confirms as being the minimum ratings that are required to support the then rating of the Senior Class of Offered Notes then outstanding;

**"Responsible Person"** means the Director, Student Finance and Analysis Group, who chairs the Master Servicer Board (or, if this position ceases to exist, an officer or employee of the Seller and Master Servicer with an equivalent level of responsibility in respect of student finance and who chairs the Master Servicer Board);

**"Risk Retention U.S. Person"** has the meaning given to it in Condition 1.4 (*Deemed Representation Regarding U.S. Risk Retention*);

**"RPI"** means the "retail prices all items index" published by the Office for National Statistics;

**"RTI"** means the real-time information reporting of PAYE information by employers to HMRC;

**"RTS"** means regulatory technical standards in relation to Article 8b of the CRA Regulation;

**"S&P"** means Standard & Poor's Ratings Services, a division of Standard & Poor's Credit Market Service Europe Limited;

**"SA Earnings Period"** means, with respect to a SA Receipt Period, each period from (and including) 6 April to (and including) 5 April in the year immediately prior to the SA Receipt Period. The SA Earnings Period for the first SA Receipt Period will be the period from (and including) 6 April 2015 to (and including) 5 April 2016;

**"SA Receipt Period"** means, with respect to a Distribution Date, each period for receipt of Self-Assessment Receipts, from (and including) 6 April to (and including) 5 April where the 5 April falls in the year immediately prior to such Distribution Date and such receipts relate to the relevant SA Earnings Period. The first SA Receipt Period will be the period from (and including) 6 April 2016 to (and including) 5 April 2017 and such receipts will relate to the SA Earnings Period from (and including) 6 April 2015 to (and including) 5 April 2016;

**"Secretary of State" or "SoS"** means the Secretary of State for Education;

**"Secured Creditors"** means each of the Noteholders, any Receiver, any Appointee, the Principal Paying Agent, the Calculation Agent, the Registrar, the Cash Manager, the Issuer Account Bank, the Security Trustee, the Note Trustee, the Corporate Services Provider, the Seller, the Master Servicer, the Fees Shortfall Lenders and any other party from time to time acceding to the Deed of Charge as a secured creditor;

**"Secured Obligations"** means the aggregate of all monies and liabilities which from time to time are or may become due or owing or payable, and all obligations and other actual or contingent liabilities from time to time incurred, by the Issuer to the Secured Creditors under the Notes or the Transaction Documents and any other obligations expressed to be payable to the Secured Creditors, in each case, pursuant to the Post-Acceleration Priority of Payments:

- (a) in whatever currency;
- (b) whether due, owing or incurred alone or jointly with others or as principal, surety or otherwise; and
- (c) including monies and liabilities purchased by or transferred to the relevant Secured Creditor,

but excluding any money, obligation or liability which would cause the covenant set out in Clause 2.1 (*Covenant to pay*) of the Deed of Charge or the security which would otherwise be constituted by the Deed of Charge to be unlawful or prohibited by any applicable law or regulation;

**"Securities Act"** means the U.S. Securities Act of 1933, as amended from time to time;

**"Security"** means the security created pursuant to the Deed of Charge and the proceeds thereof;

**"Security Interest"** means any mortgage, charge, pledge, lien, right of set-off, special privilege, assignment by way of security, retention of title or any other security interest whatsoever or any other agreement or arrangement having the effect of conferring security;

**"Security Trustee"** means Citicorp Trustee Company Limited or any successor therefore and/or additional Security Trustee appointed pursuant to the Deed of Charge;

**"Self-Assessment Receipts"** means all payments recorded as received by HMRC in respect of a Transferred Loan in the form of cheques, BACS and CHAPS payments or other forms of payment in respect of the Borrower's assessment to UK income tax, excluding any Excluded Amounts;

**"Seller"** means the Secretary of State for Education in its capacity as seller of the Transferred Loans under the Loan Sale Agreement;

**"Senior Class"** means the Class A Notes whilst they remain Outstanding (with the holders of the Class A1 Notes and the Class A2 Notes acting or voting together as a Class of Noteholders), thereafter the Class B Notes whilst they remain Outstanding and thereafter the Class X Notes whilst they remain Outstanding;

**"Senior Class Funding Conditions"** has the meaning given in Condition 5.8 (*Fees Shortfall*);

**"Senior Expenses Cap"** means GBP 300,000 *per annum*;

**"Services"** means the services to be rendered or provided by the Master Servicer in Clause 3 (*The Services*) of the Master Servicing Agreement;

**"Servicing Event"** has the meaning given to it in the Master Servicing Agreement;

**"Servicing Fee"** means the fee payable to the Master Servicer for the provision of the Services under the Master Servicing Agreement, shall be payable annually in arrear on each Distribution Date (or on any date where payments are made under the Priority of Payments), in an amount equal to the sum of:

- (a) the Cost per Borrower multiplied by the Average Borrower Numbers; and
- (b) the Fixed Amount,

where,

- (i) the "Cost per Borrower" is equal to £6.32 in respect of the first Distribution Date and thereafter, increased annually by the Index Rate (as reported at the end of each relevant Accounts Period prior to the applicable Distribution Date);
- (ii) the "Average Borrower Numbers" is equal to (x) (1) the number of Borrowers in respect of the Transferred Loans at the beginning of the Accounts Period ending immediately prior to the relevant Distribution Date, plus (2) the number of Borrowers in respect of the Transferred Loans at the end of the Accounts Period ending immediately prior to the relevant Distribution Date, (y) divided by 2; and
- (iii) the "Fixed Amount" is equal to £1,715,343 in respect of the first Distribution Date and thereafter increased annually by the Index Rate (as reported at the end of the Accounts Period prior to the applicable Distribution Date);

**"Servicing KPIs"** has the meaning given to it in the Master Servicing Agreement;

**"Servicing Report"** means a report (in a form to be agreed) containing financial data on Receipts, default rates, overpayments, underpayments and credit balances with respect to the Transferred Loans, non-financial data concerning performance of the Transferred Loans, pool data in respect of the Borrowers and recovery data in respect of the period following the last Servicing Reporting Date, and information on the priority of payments for the relevant Distribution Date and, if applicable, confirmation of the level of risk retention for the purposes of Articles 405-409 of the CRR and Article 51 of AIFMR;

**"Servicing Reporting Date"** means the date falling four weeks prior to the MS Payment Date;

**"Servicing Standard"** means:

- (a) with respect to the Services of Tax-Related Receipts, the same standard of resourcing, performance, care and diligence applied by HMRC in relation to its Income Tax and NI Activities;
- (b) with respect to the Services of Direct Receipts and Loan Account Records, the same standard of resourcing, performance, care and diligence applied by SLC in relation to unsold ICR Loans, to a standard no worse than that of a Reasonably Prudent Servicer; and
- (c) with respect to all other Services provided by the Master Servicer under the Master Servicing Agreement (other than those referred to in (a) and (b) above), a standard no worse than that of a Reasonably Prudent Servicer;

**"Share Trustee"** means Intertrust Corporate Services Limited or any successor or additional charitable trust company which from time to time wholly owns the entire issued share capital in HoldCo on trust for charitable purposes;

**"Signing Date"** means 7 December 2017;

**"SLBS"** means HMRC's Student Loans Business Service system;

**"SLC"** means Student Loans Company Limited;

**"Solvency II"** means Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance, as amended from time to time;

**"Solvency II Regulation"** means Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Solvency II, as amended from time to time;

**"Specified Office"** means in relation to any Agent:

- (a) the office specified against its name in Clause 3.5(b) (*Addresses*) of the Master Definitions Agreement; or
- (b) such other office as such Agent may specify in accordance with Clause 16.1 (*Changes in Specified Offices*) of the Agency Agreement;

**"Specified Period"** means the period from (and including) the Note Issuance Date to (and excluding) the 5th anniversary of the Note Issuance Date;

**"SRDD"** means statutory repayment due date, being the date that Borrowers first become liable to make repayments. This is the first 6 April after students complete or leave their course of study;

**"SSLA"** means the Sale of Student Loans Act 2008, as amended from time to time;

**"Start Notice"** means form SL1 issued by HMRC to an employer instructing the employer to begin deducting ICR Loan repayments from a Borrower;

**"Sterling"** means the lawful currency for the time being of the United Kingdom;

**"Stop Notice"** means form SL2 issued by HMRC to an employer instructing the employer to cease deducting ICR Loan repayments from a Borrower;

**"Subscription Agreement"** means an agreement dated on or about the Signing Date and entered into between the Issuer, the Arranger, the Joint Lead Managers and the Seller in relation to the Offered Notes (as the same may be amended, restated, modified, varied, supplemented, novated or replaced from time to time);

**"Subsidiary"** means a subsidiary within the meaning of section 1159 of the Companies Act 2006 of the United Kingdom or a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006 of the United Kingdom, and, in applying these sections of the Companies Act 2006 to the Seller, applicable references to "company" and "undertaking" shall be construed to include the Seller;

**"Support Regulations"** means the Education (Student Support) Regulations 1998 to 2011, made under section 22 of THEA, as amended from time to time;

**"Target Holding IRR"** means the Initial IRR multiplied by 1.25;

**"Tax"** or **"Taxation"** means any tax, levy, impost, duty or other charge or deduction or withholding of a similar nature (including any penalty or interest in connection with any failure (i) to pay or any delay in paying any of the same or (ii) to comply with any obligation relating to tax);

**"Tax Deduction"** means any withholding or deduction on account of United Kingdom income tax;

**"Tax Information Arrangement"** means any governmental or inter-governmental arrangement, or other arrangement between competent authorities, for the cross-border exchange of Tax information applicable in any jurisdiction (or any treaty, law, regulation, or official guidance enacted, issued or amended in any jurisdiction which facilitates the implementation of such arrangement) including (without limitation) FATCA, any arrangement analogous to FATCA, the OECD global standard for automatic and multilateral exchange of financial information between tax authorities (also known as the **"Common Reporting Standard"**) and any bilateral or multilateral Tax information agreement between the United Kingdom and any other jurisdiction(s);

**"Tax Record Date"** means, in connection with any payment, the 7<sup>th</sup> Business Day before the due date for the relevant payment or, if not a Business Day, the immediately following Business Day;

**"Tax-Related Receipts"** means all PAYE Receipts and all Self-Assessment Receipts;

**"Teacher Forgiveness Event"** means the implementation of any Government policy relating to forgiveness of student loan repayments for Borrowers who are, or become, teachers pursuant to which any Transferred Loan is (in whole or in part) cancelled, reduced in balance or written-off;

**"Teacher Forgiveness Loan"** means a Transferred Loan which is subject to a Teacher Forgiveness Event;

**"Test A Breach"** means in respect of a Distribution Date, the sum of:

- (a) Available Receipts (excluding item (c) of the definition of Available Receipts) less amounts due pursuant to items (a) to (e) of the Pre-Acceleration Priority of Payments; and
- (b) the lower of (x) the Class A2 Note Amortisation Amounts and (y) the balance of the Note A2 Cash Account before any credit is to be made pursuant to item (n) of the Pre-Acceleration Priority of Payments,

in each case on such Distribution Date, divided by the sum of (A) the Class A Notes Interest and (B) the Class A2 Note Amortisation Amounts on such date, expressed as a percentage is less than 200% as at the applicable Determination Date;

**"Test B First Threshold"** means, in respect of a Distribution Date, the Available Receipts (excluding item (c) of the definition of Available Receipts) are less than the amount specified

below opposite the applicable Distribution Date and are more than the amount specified in the definition of Test B Second Threshold opposite the applicable Distribution Date:

<b>Distribution Date</b>	<b>Amount (millions GBP)</b>
2018	208
2019	217
2020	192
2021	168
2022	154
2023	132
2024	123
2025	113
2026	100
2027	95
2028	93
2029	90
2030	84
2031	79
2032	76
2033	73
2034	70
2035	68
2036	66
2037	62
2038	59
2039	57
2040	54
2041	49
2042	45
2043	43
2044	38
2045	35

2046	29
2047	21
2048	13
2049	6
2050	2
2051	1
2052	1
2053	1
2054	0

**"Test B Second Threshold"** means, in respect of a Distribution Date, the Available Receipts (excluding item (c) of the definition of Available Receipts) are less than the amount specified below opposite the applicable Distribution Date:

<b>Distribution Date</b>	<b>Amount (millions GBP)</b>
2018	197
2019	204
2020	183
2021	160
2022	146
2023	124
2024	115
2025	107
2026	88
2027	84
2028	81
2029	79
2030	72
2031	69
2032	67
2033	63
2034	61
2035	58



2036	57
2037	54
2038	50
2039	50
2040	47
2041	41
2042	39
2043	36
2044	32
2045	30
2046	25
2047	19
2048	11
2049	5
2050	1
2051	0.5
2052	0.5
2053	0.5
2054	0

"**THEA**" means the Teaching and Higher Education Act 1998, as amended from time to time;

"**Transaction**" means the transactions contemplated by the Transaction Documents;

"**Transaction Party**" means each of the Issuer, HoldCo, the Seller, the Note Trustee, the Agents, the Master Servicer, the Cash Manager, the Security Trustee, the Issuer Account Bank, the Joint Lead Managers, the Joint Bookrunners, the Corporate Services Provider, the Fees Shortfall Lenders and any other party to the Transaction Documents;

"**Transaction Documents**" means the documents required for the transaction which may include:

- (a) the MSA;
- (b) the Agency Agreement;
- (c) the Issuer Bank Account Agreement;
- (d) the Cash Management Agreement;
- (e) the Corporate Services Agreement;

- (f) the Deed of Charge;
- (g) the Issuer Power of Attorney;
- (h) the Master Definitions and Construction Agreement;
- (i) the Loan Sale Agreement;
- (j) the Subscription Agreement;
- (k) the Class X Subscription Agreement;
- (l) the Class X Note Purchase Agreements;
- (m) the Note Trust Deed; and
- (n) the Notes,

and such other documents as may be from time to time so designated by the Issuer and the Security Trustee;

**"Transition Assumptions"** means the inputs into the Forecast Model that impact the probability of a Borrower moving between earnings bands;

**"Transfer"** means any direct or indirect sale, disposal, assignment, conveyance, transfer, exchange or gift of, or other transaction which has the same economic effect (either as a single transaction or through a series of transactions), including (without prejudice to the generality of the foregoing):

- (a) any sub-participation, trust, charge, collateral arrangement, assignment of cashflows, total return swap, derivative or hedging contract which has the same economic effect; and
- (b) any option to or agreement to enter into any of the foregoing arrangements;

**"Transfer Arrangements"** means transfer arrangements as defined in s.1(1) of the SSLA for the sale of ICR Loans which the Seller is empowered to make under the SSLA, and which are given effect under s.1(5) of the SSLA;

**"Transfer Date"** means the date on which a Class X Note Transfer occurs;

**"Transfer Value"** means, in respect of a Purchased Note, the amount in Sterling at which the Purchased Note is sold pursuant to a Class X Note Transfer on the relevant Transfer Date;

**"Transferee"** means, in respect of the Class X Notes, any assignee or transferee under a Transfer of an interest in any or all of the Class X Notes;

**"Transferred Borrower"** means a Borrower to whom an ICR Loan was made which has been transferred pursuant to this Transaction;

**"Transferred Loans"** means the ICR Loans to be sold to the Issuer by the Seller under the Loan Sale Agreement and, in respect of a Borrower, all such ICR Loans advanced by the Seller to that Borrower shall constitute the Transferred Loan in respect of that Borrower;

**"Treaty on the Functioning of the European Union"** means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992), as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997) and as amended by the Treaty of Lisbon (signed in Lisbon on 13 December 2007);

**"True-Up"** means a calculation by the Master Servicer of the difference (positive or negative) between the amount paid as Estimated Receipts for any prior Accounts Periods (or parts thereof) and the amount of Recorded Receipts actually recorded;

**"UK"** means the United Kingdom of Great Britain and Northern Ireland;

**"U.K. Listing Authority"** or **"UKLA"** means the Financial Conduct Authority in its capacity as competent authority under the FSMA;

**"UKGI"** means the UK Government Investments Limited;

**"UK Tax System"** means the system or systems for assessing and collecting taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom (or any political sub-division thereof or any authority therein or thereof having power to tax) operated by HMRC (or any merged or successor entity or transferee of its obligations) from time to time;

**"US"** or **"U.S."** has the meaning given to it in Regulation S;

**"U.S. Person"** means a U.S. person within the meaning of Regulation S;

**"U.S. Risk Retention Rules"** means Regulation RR (17 C.F.R Part 246) implementing the risk retention requirements of Section 15G of the U.S. Securities Exchange Act of 1934, as amended, adopted pursuant to the requirements of Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act;

**"Underpayment Amount"** means, either (a) as a result of an error in determining Recorded Receipts, or (b) as a result of a True-Up following payment of Estimated Receipts, or (c) as a result of an underpayment by a Borrower following the exercise of set-off by the Borrower (unless such a Transferred Loan is to be repurchased pursuant to the Loan Sale Agreement on the next MS Payment Date as a result of a breach of Loan Warranty) or (d) as a result of an error in determining a Compensation Payment, the amount of an underpayment of Receipts in respect of a Transferred Loan or, as the case may be, an underpayment of a Compensation Payment that has been made to the Issuer in respect of an Affected Loan;

**"VAT"** means value added tax imposed by the United Kingdom or in any primary or subordinate legislation promulgated by the European Union or any official body or agency thereof, and any similar turnover tax replacing or introduced in addition to any of the same;

**"Working Procedures"** means the servicing, collection and enforcement practices and procedures of the applicable Delegate applicable to ICR Loans from time to time;

**"Written Resolution"** means a resolution in writing signed by or on behalf of holders in the aggregate of at least 75% of the Note Principal Amount of the Notes of the relevant Class or Classes then Outstanding, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes and which takes effect as an Extraordinary Resolution; and

**"Yield Determination Date"** means three Business Days prior to the contemplated early redemption date.

### **USE OF PROCEEDS**

The Issuer will use the net proceeds of the Notes (after payment of fees for the establishment of the Issuer and its agents and payment of fees and legal expenses of the Arranger and the Joint Lead Managers) to pay the Purchase Price payable by the Issuer for the Portfolio to be acquired from the Seller on the Note Issuance Date, to fund the Expense Account up to the Expense Account Required Amount, and to pay certain initial costs of the Transaction (including stamp duty to be paid by the Issuer on the Note Issuance Date pursuant to the Class X Note Purchase Agreements) and to make payment of the Issuer Retained Amount.

## RATINGS

The Class A1 Notes, the Class A2 Notes and the Class B Notes are expected to be assigned the following ratings by Fitch and S&P. The Class X Notes are not rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgment, circumstances so warrant.

<b>Class of Notes</b>	<b>Fitch</b>	<b>S&amp;P</b>
Class A1 Notes	Asf	A(sf)
Class A2 Notes	Asf	A(sf)
Class B Notes	BBBsf	BBB(sf)

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and registered under the CRA Regulation.

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales on 1 February 2017 (registered number 10596240) as a public limited company under the Companies Act 2006 (as amended from time to time). The registered office of the Issuer is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0)20 7398 6300. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, one of which is fully-paid up and 49,999 shares are quarter-paid up. All of the Issuer's issued share capital is held by HoldCo.

The Issuer has no subsidiaries. The Seller does not directly or indirectly own any of the share capital of the Issuer. The Issuer is not owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Government or the Seller.

The Issuer was established as a special purpose vehicle solely for the purpose of issuing the Notes. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to the issue of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

Under the Companies Act 2006 (as amended), the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with a corporate services agreement dated on or about the Note Issuance Date between, amongst others, the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider will provide the Issuer's directors, a registered and administrative office, the arrangement of meetings of directors and shareholders, book-keeping services and procure the service of a company secretary and the preparation of accounts. No other remuneration is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

The Issuer has not engaged, since its incorporation, in any material activities other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issue of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, intends to make a notification under the Data Protection Act 1998. As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 March and the first statutory accounts of the Issuer will be drawn up to 31 March 2018.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the Note A2 Cash Account up to an amount equal to the Class A2 Principal Amount, the Expense Account up to the Expense Account Required Amount and the Issuer Retained Amount).

### Directors

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

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

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

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Neil Townson	35 Great St. Helen's, London EC3A 6AP	Director

The company secretary of the Issuer is Intertrust Corporate Services Limited, whose principal office is at 35 Great St Helen's, London EC3A 6AP.

### **Capitalisation Statement**

The following table shows the capitalisation of the Issuer as at the date of this Prospectus:

	<u>£</u>
<b>Authorised share capital</b>	
50,000 ordinary shares of £1 each	50,000.00
<b>Issued share capital</b>	
50,000 ordinary shares, one of which is fully-paid up and 49,999 shares are quarter-paid up	12,500.75

Since its date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as of the date of this Prospectus.

In accordance with Article 41.6(c) of Directive 2006/43/EC and any relevant implementing measures of the United Kingdom, the Issuer does not consider it appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee, because the Issuer's principal business consists of the issue of the Notes, the purchase of the Transferred Loans and the application of principal, interest and other amounts received from or in connection with the Portfolio towards making payments of principal and interest on the Notes and paying certain fees, expenses and other related amounts and as such, the Issuer is not conducting an operating business.

### **Issuer Retained Amount**

On the Note Issuance Date, £1,000 will be retained by the Issuer and thereafter, pursuant to the Pre-Acceleration Priority of Payments, Available Receipts are to be applied on each Distribution Date in an amount equal to £1,000 per annum (the "**Issuer Retained Amount**") for retention by the Issuer. Any Issuer Retained Amount so retained shall be applied in satisfaction of the Issuer's obligations in respect of United Kingdom corporation tax and in payment of dividends.

## HOLDCO

### Introduction

HoldCo was incorporated in England and Wales on 31 January 2017 (registered number 10593803) as a limited liability company under the Companies Act 2006 (as amended from time to time). The registered office of HoldCo is 35 Great St. Helen's, London EC3A 6AP. The telephone number of HoldCo's registered office is +44 (0)20 7398 6324. The issued share capital of HoldCo comprises 1 ordinary share of £1, is fully-paid up. The Share Trustee holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. HoldCo holds the beneficial interest in the issued share capital of the Issuer.

The Seller does not directly or indirectly own any of the share capital of HoldCo. Neither HoldCo nor the Share Trustee is owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Government or the Seller.

The activities of HoldCo will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to holding the shares in the Issuer and the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

Under the Companies Act 2006 (as amended), HoldCo's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide HoldCo's directors, a registered and administrative office, the arrangement of meetings of directors and shareholders, book-keeping services and the preparation of accounts.

HoldCo has not engaged, since its incorporation, in any material activities other than those incidental to its registration as a private company under the Companies Act 2006 and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of HoldCo. The accounting reference date of HoldCo is 31 March and the first statutory accounts of HoldCo will be drawn up to 31 March 2018.

There is no intention to accumulate surpluses in HoldCo.

### Directors

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

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

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

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



Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Neil Townson	35 Great St. Helen's, London EC3A 6AP	Director

**Capitalisation Statement**

The following table shows the capitalisation of HoldCo as at the date of this Prospectus:

	<u>£</u>
<b>Issued share capital</b>	
One ordinary share, fully paid	1.00

Since its date of incorporation, HoldCo has not commenced operations and no financial statements have been made up as of the date of this Prospectus.

### **CORPORATE SERVICES PROVIDER**

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

Intertrust Management Limited has served and is currently serving as corporate service provider for numerous securitisation transactions.

The Corporate Services Agreement provides that the agreement will automatically terminate upon the Issuer or HoldCo (as applicable) commencing liquidation proceedings, or, if earlier, as agreed between the Issuer and HoldCo (as applicable) and the Corporate Services Provider (such agreement not to be unreasonably withheld).

In addition, the agreement can be terminated by the Corporate Services Provider giving three months' notice to the Issuer and HoldCo or by the Issuer and Holdco giving three months' notice to the Corporate Services Provider.

The Issuer and HoldCo shall also have the right to terminate the Corporate Services Agreement at any time if, *inter alia*, the Corporate Services Provider commits a material breach of any of the terms or conditions of the Corporate Services Agreement and fails to remedy the same within thirty (30) days (or such other period as shall be agreed between the parties) of being required so to do. Any termination of the appointment of the Corporate Services Provider will only become effective upon, *inter alia*, the appointment in accordance with the Corporate Services Agreement of a substitute Corporate Services Provider.

**THE ISSUER ACCOUNT BANK**

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

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

## THE SECRETARY OF STATE FOR EDUCATION

The DfE is a Ministerial department of Her Majesty's Government headed by the Secretary of State for Education.

The Secretary of State currently provides financial support by way of grants and loans to students of further and higher education. She is empowered to do so by THEA. Secondary legislation made under THEA and others specifies key parts of the student funding system, such as student eligibility, course designation, maximum amounts of grants and loans, means-testing and the process for ensuring repayment.

In practice, the Secretary of State exercises these statutory functions through the operation of SLC, with HMRC playing a key role in repayments (see the section entitled "*The Transferred Loans*").

The Secretary of State is supported in her statutory duties by the Minister for Universities and Science. The DfE Permanent Secretary is the Principal Accounting Officer, who has overall responsibility for governance and financial propriety. DfE sponsors SLC as a partner organisation. Officials in the DfE's Higher Education Directorate work to support Ministers in developing student finance policy and providing overall strategic direction for SLC. DfE works with other Departments, including Her Majesty's Treasury and Cabinet Office, to ensure effective governance of SLC. The Department is held accountable to Parliament and the public through a range of mechanisms common to other government Departments. Every year DfE publishes and lays before Parliament its audited annual report and accounts. The National Audit Office can choose to report on the effectiveness of key projects or reforms. Ministers or Senior Officials can be called before the relevant committees of Parliament in the event of serious concerns.

DfE staff are based at the ministerial offices in London and in a number of other locations around England. DfE is responsible for education, children's services, higher and further education policy, apprenticeships and wider skills in England, and equalities.

## **HMRC**

### **Introduction**

HMRC is the UK's tax authority, responsible for ensuring that the revenue collected is available to fund the UK's public services and for helping families and individuals with targeted financial support. HMRC is a non-ministerial department of Her Majesty's Government. HMRC was established by the Commissioners for Revenue and Customs Act 2005, and replaced the Inland Revenue and Customs and Excise.

As a non-ministerial department, HMRC does not have a minister of the Crown directly as its head. Instead, Commissioners are appointed to govern HMRC. The Commissioners are responsible for the collection and management of revenue and the enforcement of prohibitions and restrictions. The way in which they conduct business is governed by the Commissioners for Revenue and Customs Act 2005.

Although HMRC is not under the direct control of a minister of the Crown, it is part of Government. HMRC's policy and objectives are ultimately set by the Chancellor of the Exchequer. HMRC is accountable to the UK Parliament for its performance and resourcing via the First Secretary to Her Majesty's Treasury.

HMRC currently employs approximately 61,800 staff. The annual cost of running HMRC in 2016/2017 was £3.8 billion.

### **Responsibilities**

The responsibilities of HMRC include collecting tax revenue; enforcing compliance; facilitating the flow of money to the Exchequer and funding public services; collecting ICR Loan repayments on behalf of DfE; administering statutory payments including sick pay and statutory maternity pay; paying tax credits; and administering the Government Banking Service.

## SLC

### Introduction

SLC is a non-profit making organisation set up in 1989 to manage loans and grants to students at universities and colleges across the UK. SLC is owned by the Secretary of State for Education (85%), the Department for the Economy, Northern Ireland (5%), the Welsh Ministers (5%) and the Scottish Ministers (5%).

SLC currently employs approximately 2,800 staff. SLC has offices in Glasgow, Hillington, Llandudno Junction and Darlington. The operating expenditure for 2015/2016 was £133.4 million.

SLC supports Higher Education and Further Education sectors by facilitating the payment of maintenance loans (and historically maintenance grants) to students and tuition fee loans to Higher Education and Further Education providers. SLC works closely with its 'customer' organisations, DfE, Education and Lifelong Learning in Scotland, the Department for Education and Skills in Wales and the Department for the Economy in Northern Ireland. SLC also works with the Student Awards Agency for Scotland, Education and Library Boards in Northern Ireland, Higher Education and Further Education providers, HMRC, HM Passport Office and the Department of Work and Pensions.

### Responsibilities

The responsibilities of SLC include, *inter alia*, providing information about student finance; processing applications for loans and grants to students; making payments of maintenance grants, loans, tuition fees, bursaries and scholarships; making direct receipts in respect of voluntary additional payments and overseas payments; and working with HMRC to collect loan repayments.

### Recent developments

On 11 July 2017 SLC suspended its CEO pending an investigation into concerns which have been raised. Following an independent investigation, around 8 November 2017 SLC decided to terminate Steve Lamey's contract as CEO. SLC and its shareholders expect the highest standards of management and leadership and these were not upheld by Mr Lamey during his time in this role. Peter Lauener has been appointed as Interim CEO with effect from 27 November and will remain in post at the SLC until a permanent appointment is made.

## **UKGI**

### **Introduction**

UKGI is the Government's centre of expertise in corporate finance and corporate governance.

UKGI began operating on 1 April 2016 as a Government company, wholly owned by Her Majesty's Treasury. Its activities are governed by its board and underpinned by its articles of association and a framework agreement with Her Majesty's Treasury. UKGI is accountable via its independent board to Ministers of Her Majesty's Treasury and – through the Chancellor – to Parliament.

UKGI is based in London and currently employs approximately 100 staff.

### **Responsibilities**

UKGI works across Government on complex commercial tasks. Its teams work closely with both the private sector and the wider public sector, with regular interaction with Ministers, Parliament and Whitehall departments.

UKGI provides a variety of corporate finance and corporate governance services, including:

#### ***Governance and corporate transformation***

- Ensuring effective and efficient management of vital publicly-owned assets, and improving strategy and governance to enhance shareholder value.
- Designing new commercial models for complex Government bodies and setting-up innovative new businesses and authorities.
- Corporate finance.
- Preparing and executing significant Government corporate asset sales.
- Providing commercial, restructuring and insolvency advice to assist Government in dealing with financially distressed businesses.

#### ***Commercial advice***

- Supporting Government in significant negotiations with the private sector, including on contracting and financing arrangements.
- Reviewing the role and functions of Government bodies and assets, and assessing the potential for them to operate more efficiently in the private sector.

In respect of the Transferred Loans, UKGI on behalf of the Secretary of State will provide the Master Servicer oversight and administration function. This means that UKGI will monitor the servicing activities of SLC and HMRC, coordinate and deliver the Master Servicer's responsibilities and provide a single point of contact within Government with respect to the Transferred Loans.

## THE TRANSFERRED LOANS

*The following is a description of the Transferred Loans in the Portfolio, and a summary of the origination practices of the Seller at the date of this Prospectus.*

### Characteristics of the Transferred Loans

#### **Key characteristics of the Portfolio**

##### *Statutory framework*

#### (a) **Power to grant loans**

ICR Loans are made by the Seller pursuant to powers contained in section 22 of THEA (a new section 22 of THEA, which came into force on 15 November 2011, contains different requirements relating to Plan 2 Loans). Section 22 of THEA:

- authorised the making of Loan Regulations to allow the Seller to make ICR Loans to Eligible Students;
- provided that the rate of interest set under the Loan Regulations "shall be no higher than... required to maintain the value in real terms of the outstanding amounts of such loans and shall at no time exceed the specified rate for low interest loans" (section 22(4)); and
- authorised the making of Loan Regulations requiring Borrowers to make repayments through self-assessment and employers to collect repayments (section 22(5)).

Section 23 of THEA gives the Seller power to delegate functions. Functions that were delegated to SLC, include the function of making ICR Loan payments to students, maintaining loan accounts, collecting payments that are not collected by HMRC and supplying HMRC with the information it needs to collect repayments. Other functions were delegated to Local Authorities and HEIs.

#### (b) **Exempt status of ICR Loans**

ICR Loans are not regulated by the CCA or the FSMA as at the date of the Prospectus. In the case of Plan 1 Loans, this is a function of the Interest Rate Cap that applies under section 22 of THEA (whereby loans subject to the cap are exempt from the CCA) and section 8 of the SSLA (which explicitly states that ICR Loans are not regulated by the CCA or by the FSMA). Consequently, although ICR Loans are administered where possible in accordance with similar standards, none of the CCA or FSMA provisions that apply to regulated agreements and the provision of information to Borrowers are relevant to Transferred Loans. There is no risk, therefore, of Transferred Loans being unenforceable or subject to other sanctions for non-compliance with the CCA or the FSMA.

#### (c) **Eligibility**

The Loan Regulations primarily cover the application stage including provisions that regulated, for the following academic year, who is eligible for an ICR Loan, the effect of withdrawing from a course on eligibility and the maximum loan amounts. The Loan Regulations also cover certain provisions that generally apply to all ICR Loans (including loans already made), such as overpayments (where the Secretary of State lends a student more than he or she is entitled to).

#### (d) **Repayment**

The Repayment Regulations set out the terms relating to repayment and the charging of interest on ICR Loans including Transferred Loans. The Repayment Regulations reflect the changes introduced by, or envisaged by, the SSLA by providing for repayments on



Transferred Loans to be collected on behalf of the Issuer, for the Issuer to be the lender of record in relation to the Transferred Loan and for references in Loan Regulations to the Seller as lender to include a reference to a purchaser.

(e) **Use of HMRC Information / SLC Personal Data**

Information about Borrowers falls into two broad categories:

- (i) **HMRC Information**, which is the primary source of information about the ICR Loans repayments. HMRC Information may be Personal Data and its disclosure is strictly limited under s.24 THEA.
- (ii) **"SLC Personal Data"**, which is any Personal Data about Borrowers held by SLC which SLC did not receive from HMRC and is not therefore HMRC Information. The processing of Personal Data is subject to the DPA. **"Sensitive Personal Data"** is a sub-set of Personal Data that relates to a Borrower's race, religion, health etc. Additional protections apply to the processing of Sensitive Personal Data. However, if data is anonymised, it will not be Personal Data or Sensitive Personal Data and the DPA will not apply.

To comply with the requirements of the THEA, the DPA and the Seller's policy in relation to limiting disclosure of Borrower information, all of the information disclosed before and after the sale will be "borrower-level data" i.e. data obtained from loan applications, through the tax system or from SLC about the running of Borrower accounts and the performance of the Transferred Loans which is either non-identifying or has been anonymised by excluding any information that is likely to identify an individual.

Before the sale of the Transferred Loans, the Seller is legally able to provide to the Issuer and potential investors, their advisers, ratings agencies and other third parties, non-identifying HMRC Information as permitted by s.24 THEA and anonymised "borrower-level data" held on SLC's systems relating to Borrowers' accounts to which the DPA will not apply.

After the sale of the Transferred Loans, the Seller is legally able to disclose HMRC Information and SLC Personal Data about Borrowers to the Issuer, which will become a joint data controller of SLC Personal Data with the Seller. As data controller, the Issuer can disclose SLC Personal Data to data processors acting on its behalf (including the Seller as Master Servicer (and therefore SLC and HMRC as Delegates)) for servicing, receipts, auditing, compliance and for other purposes related to its ownership of the Portfolio.

In practice it is not anticipated that the Seller will provide to the Issuer any "borrower-level data" which can be used to identify individuals, except in limited cases and subject to conditions specified in the Loan Sale Agreement (including being subject to applicable data protection and confidentiality laws and regulation).

Under the Loan Sale Agreement the Seller may provide "borrower-level data" to the Issuer from which information that is likely to identify individuals has been excluded although its usage will be subject to conditions specified in the Loan Sale Agreement.

*Overview of the Loan Agreement*

(a) **Eligibility**

Eligibility for an ICR Loan is determined according to standard criteria set out in the applicable Loan Regulations, relating to students and courses. A Borrower of a Transferred Loan had to be both eligible as an individual and have been attending an eligible course. Eligibility was not determined by reference to:

- any credit risk assessment (for example, bankrupts were eligible, although breach of an obligation to repay an existing ICR Loan would have rendered a student ineligible);

- contractual capacity (minors could obtain an ICR Loan, subject to ratification on attaining the age of 18); or
- any financial consideration in respect of the Borrower, except insofar as an element of the entitlement was means-tested.

(b) **Loan Terms**

Each Borrower's Loan Agreement with the Secretary of State is made up of the Loan Terms set out in the Loan Regulations and in the "loan request" form signed by the Borrower during the application process.

In the "loan request form" Borrowers broadly confirmed that they:

- had given information (which included contact details) which was correct to the best of their knowledge and belief;
- would notify SLC of any change in the details given;
- acknowledged that the loan was repayable in accordance with THEA and the Loan Regulations; and
- authorised their NiNo to be checked as valid with the National Insurance Contributions Office.

The precise wording of the declarations relevant to the Portfolio varied slightly depending on the academic year. In addition there was no specific obligation to notify the lender if the Borrower moved abroad, nor a general requirement to take such action and provide such information as requested.

*Interest*

The Loan Regulations prescribe the rate of interest and how it must be calculated.

(a) **Setting rates**

ICR Loans bear interest at a rate which is the lower of either:

- (i) the Interest Rate Cap; or
- (ii) the percentage rate increase between the actual rate of RPI on which interest is determined in the March immediately prior to the start of the academic year and the preceding March.

Unless the Interest Rate Cap applies, Borrowers repay in real terms what they borrowed, irrespective of how long it takes to repay.

For example, for the 2014/15 academic year the interest rate would have been set according to the percentage increase between RPI in March 2013 and RPI in March 2014 (2.5%). However, in practice this rate was not applied because it exceeded the Interest Rate Cap and so the rate was set according to the Interest Rate Cap, as detailed below. The rate of interest is usually set once a year providing certainty on the interest rate over the following 12 month period, although the Repayment Regulations do allow the rate to be changed mid-year. Such change may occur if there is a change to the Interest Rate Cap in any given month as a result of a change to the base rate as detailed below and such change results in the Interest Rate Cap falling above or below the applicable RPI rate.

The Interest Rate Cap is the base rate (which is the highest of the base rates published by the group of banks set out in Article 60G(7) at the Regulated Activities Order) determined on a monthly basis plus 1% (or such other rate as may be specified for the purposes of the low

interest exemption under Article 60G(3) of the Regulated Activities Order). This capped rate will apply to the Portfolio if it is lower than RPI. The capped rate applied each year from January 2010. The interest rate for 2017-18 is 1.5%<sup>4</sup> as of the date of this Prospectus.

The table below sets out the interest rate that has applied to the Portfolio since origination.<sup>5</sup>

<b>Academic Year</b>	<b>Interest rate</b>
2017/18.....	1.5 <sup>6</sup>
2016/17.....	1.25
2015/16.....	0.9
2014/15.....	1.5
2013/14.....	1.5
2012/13.....	1.5
2011/12.....	1.5
2010/11.....	1.5
2009/10.....	0.0
6 March 2009 - 31 August 2009.....	1.5
6 February 2009 - 5 March 2009.....	2.0
9 January 2009 - 5 February 2009.....	2.5
5 December 2008 - 8 January 2009.....	3.0
1 September 2008 - 4 December 2008.....	3.8
2007/08.....	4.8
2006/07.....	2.4
2005/06.....	3.2
2004/05.....	2.6
2003/04.....	3.1
2002/03.....	1.3
2001/02.....	2.3
2000/01.....	2.6
1999/00.....	2.1
1998/99.....	3.5

The Secretary of State has a discretion as to whether to charge interest in an academic year. If interest is charged then the calculation methods described above apply. Whenever RPI has been positive, the Secretary of State has always exercised her discretion to charge interest.

<sup>4</sup> Prior to 1 December 2017 in the 2017/18 academic year, the interest rate was 1.25%.

<sup>5</sup> Source: [www.studentloanrepayment.co.uk](http://www.studentloanrepayment.co.uk).

<sup>6</sup> Prior to 1 December 2017 in the 2017/18 academic year, the interest rate was 1.25%.

However, in the 2009/10 academic year, RPI was negative and the Secretary of State exercised her discretion not to apply an interest rate to the ICR Loans.

(b) **Calculating interest**

The Transferred Loans have accrued interest since the day that they were advanced to the Borrower prior to the SRDD and will continue to do so until such time as they are repaid in full. Interest is calculated daily and compounded monthly except that where the loan balance of any Transferred Loan has reduced to zero in any month no daily interest will be calculated in respect of such Transferred Loan for the days in that month.

(c) **Interest on penalties and other charges**

The Secretary of State (through SLC) may impose penalties on Borrowers where they have not notified SLC of changes to their name and contact details or complied with notices to do so. The Secretary of State (through SLC) may also seek reimbursement of its reasonable costs and expenses (including those incurred by SLC) in obtaining required information and serving any information or penalty notices.

These penalties or costs and expenses could be added to the principal of the ICR Loan and interest would be applied to these. To date, it has been the general practice of the Secretary of State and SLC not to levy penalties and only to impose costs or expenses in limited circumstances. The Secretary of State will consider whether penalties or similar charges would constitute Excluded Amounts. Excluded Amounts will not be transferred to the Issuer but will be retained by the Seller (or for the other entities or agencies of the Government which are entitled to such amounts at law) for its or their own account. As a result, Excluded Amounts will not be part of the Available Receipts.

*Repayments*

(a) **Repayment Threshold**

Borrowers are not required to make any repayments unless their income is over the Repayment Threshold. The Repayment Threshold for the tax year 2015/16 was £1,444 monthly (£333 weekly or £17,335 per annum equivalent). For the tax year 2016/17 the Repayment Threshold was increased by the difference between the March 2014 and March 2015 RPI to £1,457 monthly (£336 weekly or £17,495 per annum equivalent). For the tax year 2017/18 the Repayment Threshold was increased by the difference between the March 2015 and March 2016 RPI to £1,481 monthly (£341 weekly or £17,775 per annum equivalent). From then on, for each tax year the Repayment Threshold will continue to increase by the percentage difference between the actual rate of RPI on which interest is determined in the March immediately prior to the start of the academic year and the preceding March.<sup>7</sup> The table below shows the historical repayment thresholds for Plan 1 Loans.

<b>Period Applicable</b>	<b>Annual Repayment Threshold</b>	<b>Monthly Repayment Threshold</b>	<b>Weekly Repayment Threshold</b>
6 <sup>th</sup> April 2000 to 5 <sup>th</sup> April 2005	£10,000	£833	£192
6 <sup>th</sup> April 2005 to 5 <sup>th</sup> April 2012	£15,000	£1,250	£288

<sup>7</sup>

Pursuant to the Education (Student loans)(Repayment)(Amendment) Regulations 2014 which came into force on 6 April 2014.

<b>Period Applicable</b>	<b>Annual Repayment Threshold</b>	<b>Monthly Repayment Threshold</b>	<b>Weekly Repayment Threshold</b>
6 <sup>th</sup> April 2012 to 5 <sup>th</sup> April 2013	£15,795	£1,316	£303
6 <sup>th</sup> April 2013 to 5 <sup>th</sup> April 2014	£16,365	£1,363	£314
6 <sup>th</sup> April 2014 to 5 <sup>th</sup> April 2015	£16,910	£1,409	£325
6 <sup>th</sup> April 2015 to 5 <sup>th</sup> April 2016	£17,335	£1,444	£333
6 <sup>th</sup> April 2016 to 5 <sup>th</sup> April 2017	£17,495	£1,457	£336
6 <sup>th</sup> April 2017 to 5 <sup>th</sup> April 2018	£17,775	£1,481	£341

How income is worked out for these purposes depends on whether a Borrower pays tax through PAYE or self-assessment or is an Overseas Borrower outside the UK Tax System. The RPI rate is the published rate for March of each year released in April of each year.

(i) **PAYE**

For PAYE Borrowers, earnings for repayment purposes are those taken into account in calculating secondary class 1 national insurance contributions. This therefore includes salary, statutory payments and most non-cash vouchers (although some, such as for long service awards and suggestion schemes, are not subject to tax or national insurance). Where a Borrower has two jobs with the same employer, the Borrower's income should be aggregated by the employer for the purposes of the earnings calculation. Borrowers do not receive a deduction from earnings in relation to pension contributions for the purposes of determining earnings. However, the following are excluded from the earnings calculation:

- benefits in kind (e.g. private medical insurance);
- pension lump sums;
- most pension contributions made by employers;
- employer-supported childcare; and
- tips (where the employer is not involved at all).

Employers determine whether the Repayment Threshold level has been reached on a "per pay period" basis rather than looking at an employee's annual income. The same process is applied for full time and part time employees.

If a Borrower's annual earnings are below the relevant annual Repayment Threshold but they receive a bonus or overtime payment in one month or week which takes them over the Repayment Threshold for that pay period, the employer will take a repayment. The Borrower will only be due a refund if they apply to SLC and can prove that they have earned less than the annual threshold over the full tax year.

Where a Borrower has both a Plan 1 Loan and a Plan 2 Loan, employers will be instructed which Repayment Threshold to apply and SLC will apportion repayments between loans as set out below ("*The Transferred Loans - Repayments where a Borrower has Plan 1 Loans and Plan 2 Loans or a Postgraduate Master's Loan*").

(ii) **Self-assessment**

Borrowers who are self-employed (including those who are also employed), or are high earners within PAYE or receive income not taxed at source (for example outside the PAYE system) are subject to the self-assessment tax regime. These Borrowers are required to account for and make ICR Loan repayments in the same way as they account for and pay income tax. Those Borrowers must submit an annual self-assessment return of their total income and receive a bill for tax, including ICR Loan repayments due for the year, with credit given for any amounts already deducted through PAYE (if relevant). Repayments are calculated as part of the automated self-assessment tax calculation and included in the amount payable to HMRC.

For self-assessment Borrowers, repayments are calculated on a Borrower's total income (including, for example, job seeker's allowance) less:

- the Repayment Threshold;
- unearned income (for example, dividends) if less than £2,000 (however, if the unearned income is more than £2,000, all of it is included in total income);
- incapacity benefit;
- benefits in kind (e.g. privately used cars, private medical cover); and
- business losses.

(iii) **Overseas Borrowers**

Repayment thresholds in overseas countries are not necessarily the same as those in the UK. Depending on the Borrower's country of residence, the Repayment Threshold for annual earnings ranges from £3,565 to £24,885<sup>8</sup> for the tax year 2017/18 and is calculated according to World Bank data on the relative cost of living in the Borrower's country of residence. The Repayment Threshold for a country will increase for each tax year from 2017/18 in line with RPI.

(b) **Amount of repayment**

(i) **PAYE**

If earnings are over the Repayment Threshold, the Borrower's employer will be required to deduct 9% of earnings above the Repayment Threshold in a particular earnings "pay period" (e.g. a month).

(ii) **Self-assessment**

For self-assessment, the repayment amount is 9% of a Borrower's total income for each tax year above the Repayment Threshold.

**Overseas Borrowers**

Overseas Borrowers whose earnings exceed the Repayment Threshold will either repay by fixed instalments based on an average income for the country or on an income-contingent basis at 9% of earnings over the Repayment Threshold. Fixed instalments are made monthly. The amount of the

<sup>8</sup> The 2017/18 highest band G is £24,885 but at the time of publication there are no countries currently in that band. Therefore the highest Repayment Threshold in practice is £21,330 – as shown on SLC's website.

instalments are also determined according to World Bank data on the purchasing power parity of the Borrower's country of residence, relative to UK = 100. The monthly fixed instalments therefore range from £49.20 to £344.40 for the tax year 2017/18 depending on the Borrower's country of residence.

#### *Cancellation*

Cancellation introduces a degree of uncertainty over repayment which is not a typical feature of other loan obligations. A Borrower's liability to repay their ICR Loan will be cancelled if the Borrower:

- dies;
- receives a disability-related benefit and, because of the disability, is permanently unfit for work; or
- reaches the age of 65.

ICR Loans that have been cancelled by the Final Extraction Date have been excluded from the Portfolio.

SLC also writes-off a Borrower's loan balance in other, limited, circumstances. SLC generally does this where the costs of recovery will be more than the loan balance to be recovered, which is primarily relevant to where the loan balance is of a trivial amount, which is currently regarded as £25. SLC will continue to adopt this policy in respect of Transferred Loans after the sale and the policy is subject to review on a timely basis when costs of recovery change over time. SLC wrote off £4,000 of trivial balances in the financial year 2015/16 (including both credit and debit balances) on a discretionary basis in relation to the Plan 1 ICR Loans which were maintenance loans owned by the Seller, during which time period the agreed trivial amount was regarded as £25.

#### *Default and Arrears*

##### **(a) PAYE and self-assessment Borrowers**

Default on ICR Loans only occurs in exceptional cases in the case of PAYE and self-assessment Borrowers. This is principally due to the fact that required repayments are dependent on an earnings threshold (and so are not fixed in amount), and are in the majority of cases collected through the UK Tax System. While HMRC can impose penalties and charges on self-assessment Borrowers and employers, these penalties are levied as a result of non-compliance with the UK Tax System rather than default on the loan.

Also, if a self-assessment Borrower's tax return includes the requirement to make a repayment under the ICR Loan and the Borrower defaults on such obligation to pay HMRC, HMRC will nonetheless treat this liability as paid and transfer the relevant amount to the Secretary of State. HMRC, using its own processes and procedures, will then pursue defaulting self-assessment Borrowers.

No assurances however can be given that any such processes in relation to defaulting PAYE and self-assessment Borrowers will remain the same for the life of the Transaction. See also the section of this Prospectus entitled "*Risk Factors – Legal, regulatory and tax risk – Other legal considerations – Governmental organisational change*".

##### **(b) Penalties on Borrowers**

The Repayment Regulations allow the Secretary of State (through SLC) to impose penalties on Borrowers where they have not notified SLC of changes to name and contact details or complied with notices to do so. These penalties could either be added to the outstanding loan amount or collected separately. Additionally, Borrowers may also be charged the costs and expenses incurred by SLC in serving notices or obtaining the required information. However, as mentioned above, it has been the general practice of the Secretary of State and SLC not to levy penalties and only to impose costs or expenses in limited circumstances.

Where Borrowers fail to comply with notices relating to information or penalties, under the Repayment Regulations the Secretary of State (through SLC) could require Borrowers to repay their ICR Loans immediately and in full. However, this right to accelerate loans is only exercised in extremely limited circumstances.

(c) **Overseas Borrowers**

The repayment position for Borrowers residing overseas, and not therefore automatically paying UK income tax (whether PAYE or self-assessment), is different. Overseas Borrowers may repay either by fixed instalments based on an average income for their country or on an income-related basis. These amounts will be stated in a repayment schedule set up by SLC for the Overseas Borrower. Consequently, where these repayments are not made an Overseas Borrower may default and fall into arrears. If the Overseas Borrower fails to pay an instalment or another amount on time and so falls into arrears, under the Repayment Regulations the Seller could require the Overseas Borrower to repay the full Outstanding Amount immediately in a single payment. However, this right to accelerate loans is only exercised in extremely limited circumstances.

Furthermore, where Borrowers move overseas and do not notify SLC, repayments may be automatically scheduled by SLC which could lead to Borrowers falling into arrears. Additionally, Overseas Borrowers could be charged penalties which, if charged, could be added to the outstanding loan amount. Overseas Borrowers might also have to pay the costs of any tracing agents employed by SLC, which could be added to the outstanding loan amount. However, as mentioned above, it has been the general practice of the Secretary of State and SLC not to levy penalties and only to impose costs or expenses in limited circumstances.

*Bankruptcy and Individual Voluntary Arrangements*

ICR Loans are not included in a Borrower's bankruptcy or IVA (which enables a debtor to avoid bankruptcy by coming to an agreement with creditors to pay off a percentage of his or her debts over a given period). This is because ICR Loans are paid out of public funds and because loan repayments are, in any event, linked directly to a Borrower's income, and so would only commence (or recommence) when the Borrower earned more than the Repayment Threshold.

This policy was implemented on 1 September 2004 in relation to a Borrower's bankruptcy debts and on 6 April 2010 in relation to IVAs. To the best of the Seller's knowledge, there are no ICR Loans in the Portfolio to Borrowers where the Borrower's bankruptcy occurred before 1 September 2004. There will continue to be further Loan Write-Offs for IVA Borrowers who complete their IVA repayment schedules (set up before 6 April 2010) over future years.

*Employer insolvency*

PAYE Borrowers are deemed to have made ICR Loan repayments once they are deducted from their salaries, even if the employer fails to remit the deductions to HMRC. HMRC's recourse is then against the Borrower's employer.

Employers are required to remit ICR Loan repayments to HMRC within about a month of deducting them from salaries (or, in the case of certain small employers, on a quarterly basis). However, employers sometimes fail to remit deductions on time, and employers facing insolvency are likely to be among those who are overdue. The Crown has no special priority over other creditors in the event of an employer's insolvency.

Currently, HMRC pays the Secretary of State 100% of estimated receipts on a monthly basis so where an employer deducts a repayment from a Borrower's salary but fails to remit it to HMRC, HMRC will have paid to the Secretary of State the amount deducted as if it had actually been received. Payments to the Secretary of State are reduced on an annual basis to take account of any failures by employers to remit ICR Loan repayments that have been deducted from a Borrower's salary to HMRC. The effect of these reductions by HMRC will not be passed to the Issuer.



*Repayments where a Borrower has Plan 1 Loans and Plan 2 Loans or a Postgraduate Master's Loan*

As at the Final Extraction Date, there will be no Borrowers in the Portfolio with both a Plan 1 Loan and a Plan 2 Loan. A Borrower may, however, take a Plan 2 Loan after the Final Extraction Date in which case, repayments will have to be allocated between the loans according to a protocol that takes into account the different repayment terms for Plan 2 Loans. Borrowers with Plan 2 Loans began repaying through the UK Tax System in April 2016. Currently under the Repayment Regulations mandatory repayments between the Repayment Thresholds for Plan 1 Loans and for Plan 2 Loans will be allocated to a Borrower's Plan 1 Loan and repayments above the Repayment Thresholds for Plan 2 Loans will be allocated to a Borrower's Plan 2 Loan. The Repayment Threshold for Plan 2 Loans is currently frozen, but will be increased to £25,000 with effect from 1 April 2018. The Repayment Threshold for Plan 1 Loans will be adjusted annually in-line with changes in RPI.

Borrowers in the Portfolio may have taken out a Postgraduate Master's Loan or may take one out in the future. Repayments under Postgraduate Master's Loans are income contingent but do not impact amounts repayable on Plan 1 Loans.

Pursuant to a written ministerial statement to Parliament on 9 October 2017, the earnings threshold for Plan 2 loans will be increased from its current level of £21,000 to £25,000 for the 2018-2019 financial year, following which it will be adjusted annually in line with average earnings. The repayment thresholds applicable to pre-2012 student loans, MSLs and Postgraduate Master's Loans are not affected by these changes.

The lower threshold for variable interest rates for Plan 2 Loans will rise to £25,000 on 6 April 2018. The upper threshold will rise from £41,000 to £45,000 on the same date. Thereafter, the interest thresholds will be adjusted annually in line with average earnings. In 2018-2019, approximately 600,000 borrowers will benefit from the threshold changes. Most of these borrowers will both make lower contributions and have a lower rate of interest applied.

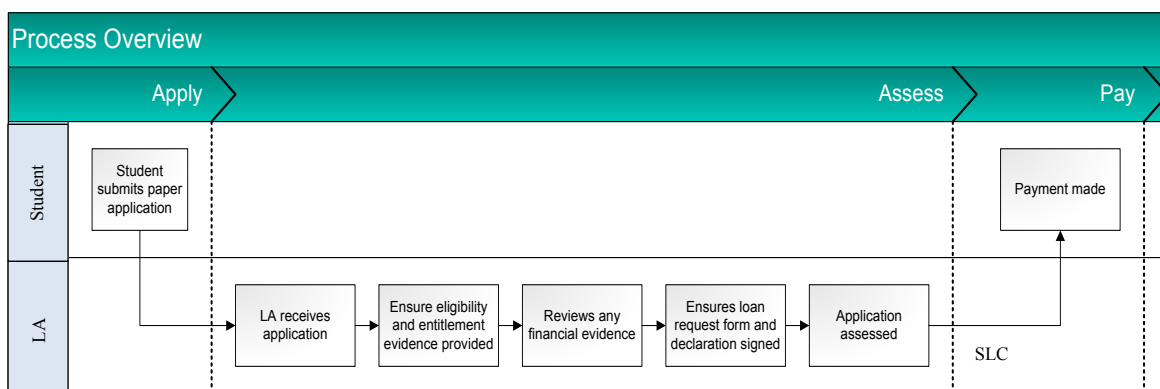
Maximum tuition fee caps will be frozen at 2017/18 academic year levels in the 2018/19 academic year.

The Government may set out further steps in respect of higher education student financing in due course, including in respect of teachers loans.

**Origination of the ICR Loans**

Applications for Transferred Loans were processed and assessed by Local Authorities, which were responsible for compiling application data and checking student eligibility in accordance with the then current Loan Regulations.

The diagram below summarises the high level process relevant for this Portfolio, for which purposes "LA" means Local Authority.



### ***Application and Origination***

Borrowers had to apply each year for an ICR Loan for that academic year. Consequently, where a Borrower took an ICR Loan for each year of their course they would have had multiple loans.

Borrowers were required to complete, sign and submit a paper application form to their Local Authority. This ensured that a signature was captured for each ICR Loan.

### ***Eligibility and Assessment***

In addition to their application form, Borrowers were required to provide personal, academic and, where appropriate, financial information to establish their eligibility for an ICR Loan. This also enabled Local Authorities to assess the amount to which they were entitled. Eligibility evidence was required to be seen in its original form (and was then scanned or photocopied and returned to the Borrower). Local Authorities were required to check that a loan application form had been signed.

Although currently required, Borrowers with ICR Loans in this Portfolio did not have to provide a valid NiNo at the time of application. For some Borrowers, SLC therefore had to obtain NiNos after the SRDD so that HMRC was later able to match Borrowers in the UK Tax System for repayment purposes.

From academic year 2003/2004, Local Authorities were also expected or encouraged to carry out anti-fraud checks on applications. However, Local Authorities were not encouraged to put in place anti-fraud checks prior to academic year 2003/04. As there were no set standards, all Local Authorities conducted the application process differently.

Since academic year 2004/05 all Local Authorities assessed applications using a "rules engine" designed by SLC (which was piloted by 12 Local Authorities in academic year 2003/04). Prior to this, each Local Authority used its own "rules engine" to assess applications, confirm eligibility and work out how much the applicant was entitled to borrow. Local Authority "rules engines" would have considered the following information: income, course type, previous study, age, dependants, course start date, cohort, year of course, residence during study, placements and other funding available to students.

Any manual exception cases were reviewed by the Local Authority with advice and support from SLC. Each application was reviewed by an assessor at the Local Authority prior to it being approved.

If an application form is incomplete or missing, it may be argued that the related ICR Loan was not made in full compliance with the Loan Regulations and that it does not fall within the terms of the statutory power of sale under the SSLA. The Loan Warranties include a representation by the Seller that each Loan Agreement was made by the Seller in accordance with the Loan Regulations unless such non-compliance would not reasonably be expected to have a Material Adverse Effect. Upon breach of this Loan Warranty in respect of a Transferred Loan, the Seller will be obliged to repurchase such Transferred Loan (or pay the Repurchase Price in case of a Non-Existent Loan). See the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Loan Sale Agreement*" for further details.

### ***Payment***

Once an application had been approved by the Local Authority and SLC had received confirmation of registration electronically from the HEI, SLC paid the ICR Loan funds to the Borrower's bank account through the BACS system. Payments were spread across three terms, generally with two equal payments and a slightly higher instalment being paid in the third term.

### ***Amount***

Average debt for all Borrowers who had a live account at the end of the 2015/16 tax year ranged from £6,849 for the 2002 repayment cohort to £9,179 for the 2006 repayment cohort.

## **Repayment and Receipts of the ICR Loans**

### ***Timing***

Because in the vast majority of cases repayments are Tax-Related Receipts, the Repayment Regulations prescribe when repayments are deemed to have been received by the Seller as follows:

- Direct Receipts - on the actual date of receipt.
- PAYE Receipts - on the last day of the calendar month.
- Self-Assessment Receipts - on 31 January after the tax year to which they relate.

When the Portfolio has been sold, the Issuer will be treated as receiving Receipts on Transferred Loans on the same date as the Seller is deemed to have received all Receipts on ICR Loans in accordance with the Repayment Regulations although Receipts will not be passed to the Issuer until each MS Payment Date which falls annually.

SLC updates Borrowers' accounts on receipt of final FPS Returns for the tax year and the end of year self-assessment file. Amounts received through PAYE over the tax year are aggregated and considered to have been received in equal instalments on the last day of each calendar month. This means that the PAYE Receipt Period, which refers to the tax year, does not exactly match the period used by SLC under the Repayment Regulations as to the timing of when payments are applied to Borrowers' accounts.

A consequence of the Repayment Regulations is that if a PAYE Borrower made larger repayments towards the beginning of a tax year, the Borrower would not receive credit for this in an immediate reduction in the loan balance at the point the repayment is made but, conversely, if larger repayments were made towards the end of the tax year the Borrower would benefit from this amount being aggregated and applied throughout the year.

For Self-Assessment Receipts, repayments will be applied by SLC to Borrowers' accounts on the 31 January after the SA Receipt Period to which they relate.

Self-Assessment Receipts are deemed to be received on 31 January each year even if the Borrower has paid them beforehand or not yet paid them. A consequence of the Repayment Regulations is that Borrowers who pay their aggregated HMRC bill early will pay more interest than they would if repayments were credited to loan accounts when received. Conversely Borrowers who pay their aggregated HMRC bill late will pay less interest as their repayment would be backdated to apply to the relevant tax year.

The Repayment Regulations require loan repayments to be applied in a prescribed order such that all receipts in respect of ICR Loans shall initially be applied in payment of any penalties, costs, expenses or charges imposed by the Seller on any Borrower under the Repayment Regulations. As at the date of this Prospectus the Seller has not, in practice, imposed any penalties or other charges or sought reimbursement of any costs or expenses under the Repayment Regulations. If the Seller starts to impose penalties or other charges in the future (and which are not Excluded Amounts) the Seller will be required to develop a means to record such penalties or other charges in order that such amounts will be paid, firstly in accordance with the prescribed order in the Repayment Regulations, prior to being applied towards payment of interest and/or principal on the relevant ICR Loans.

### ***Matching Process***

Borrowers do not make repayments until they earn above the Repayment Threshold. However, in order for those repayments to be collected by HMRC and reported to SLC, Borrowers must be identified in the UK Tax System. To do this, SLC's record of Borrowers must be "matched" against HMRC's tax records.

To allow HMRC to match Borrowers in the Portfolio, SLC provides the following information to HMRC for each Borrower: SLC reference, surname, date of birth, NiNo and SRDD. HMRC uses this

information to check its own databases for a matching tax record and to check if there is a current employment or self-assessment record for each Borrower. As Borrowers move in and out of employment and change jobs, this is an ongoing process.

Borrowers are categorised by HMRC as one of the following:

- "Matched" – HMRC have located a tax record corresponding to the details provided by SLC and the Borrower has a current employment and/or self-assessment record.
- "Found" – HMRC have located a tax record corresponding to the details provided by SLC but the Borrower does not have a current employment and/or self-assessment record.

99.9% of all Borrowers have a tax record. The remaining Borrowers are categorised as:

- "Not Found" – HMRC have not located a tax record in respect of the Borrower.

Each month HMRC reports to SLC any Borrowers who have been previously matched, but have left employment, or who have previously been "unmatched" but are now in employment.

All Borrowers in the Portfolio are either "Matched" or "Found".

### ***Collecting repayment through PAYE***

#### **(a) Process**

Employers are required to make repayment deductions from a Borrower's salary in excess of the Repayment Threshold if they have received a "Start Notice" from HMRC or if they employ a Borrower who tells them they are liable to repay an ICR Loan. Employers are required to continue making deductions until either they receive a "Stop Notice" from HMRC instructing them to stop making deductions or a Borrower leaves that employment.

Stop Notices will be issued by HMRC following receipt of information from SLC. This will generally happen when either the Borrower has repaid their ICR Loan in full or the Borrower has arranged to complete repayments by direct debit to SLC. Employers are required to start or stop making deductions from the first available pay day after they receive the notice.

Where Borrowers move between jobs, there can be a time-lag between the Borrower starting work with a new employer and his or her employer starting to deduct repayments. Employers are required to ask every new employee if they are repaying an ICR Loan so that deductions may be started from the first available pay day. If an employer is not advised that a new employee has an ICR Loan, HMRC systems would pick this up when the first FPS Return is submitted by the employer. A Start Notice would then be issued automatically to the employer prompting the start of loan deductions.

Where Borrowers have multiple employments which are all subject to collection through the PAYE system (and in respect of which the relevant Borrower does not complete a self-assessment tax return) which in aggregate would exceed the applicable Repayment Threshold for an ICR Loan but do not do so individually, no collections will be made by HMRC. This is because deductions through PAYE are made at employment rather than employee level in accordance with the current Loan Regulations. Consequently, multiple employments cannot be combined to make a deduction from a Borrower's total income. If a Borrower has employments which all pay below the threshold, this gives rise to the situation that a Borrower may have total earnings exceeding the threshold but the employers will not have to deduct any repayments. Similarly, if a Borrower has one employment above the threshold and one or more employments below the threshold, the other employments will not be taken into account. These circumstances should not arise where a Borrower is required to complete a self-assessment tax return.

Employers make deductions from employee earnings, usually monthly or weekly depending on the employer's pay period. Employers pay over the deductions taken from employees'

earnings for tax, national insurance and loan repayments to HMRC. This payment is made each month by the employer as an aggregate payment for all its employees.

The final FPS Return for a tax year must be submitted by 20 April and sets out the total loan deductions made from an employee's salary through PAYE for that tax year. After 20 April, HMRC generates the annual totals figure for each employee showing total earnings, tax, national insurance and ICR Loan deductions. This is used to notify SLC of the total amount of information on Borrowers' repayments for the previous tax year. Due to HMRC system processing times, the bulk of notifications to SLC occur during May and June in the year following the end of the tax year. Late returns and amendments to previous returns may be received from employers after end of year records are generated. These will be processed by HMRC as and when received and updated records will be passed to SLC.

This process is repeated annually until either SLC instructs HMRC to issue a Stop Notice to employers or a Borrower leaves that employment.

(b) **Borrower over-repayment**

Repayment information held by SLC for Borrowers making PAYE Receipts will only reflect the latest information that HMRC has passed on to SLC. The majority of that information will be accurate to the April of the previous tax year. If a Borrower is not monitoring salary deductions it is difficult for SLC to know from other sources when the Borrower will have fully repaid their ICR Loan and when HMRC should be told to issue a Stop Notice, so invariably, it is possible that a Borrower will over-repay on an ICR Loan. SLC has a refund process which is initiated when the loan balance is updated. This can be up to 12 months after the ICR Loan has been repaid. Over-repayment would be identified by SLC either when an end of year record is received from HMRC or when a Borrower contacts SLC with payslip evidence to show that they have overpaid.

Where an over-repayment is identified by SLC, the Borrower is contacted to re-confirm their bank details and the refund is issued direct to the Borrower's bank account. Interest at the same rate as is charged on the loans (i.e. at a rate equal to the lower of the Interest Rate Cap and the percentage increase between the actual rate of RPI on which interest is determined in the March immediately prior to the start of the academic year and the preceding March) would be paid on the entire amount over-repaid with effect from the date that the account was fully repaid. This means that the refund would not have a lower value in real terms than the amount over-repaid. Since April 2016 interest has only been payable until the earlier of (i) the date of the refund; or (ii) 60 days from the date SLC issues a notice to the Borrower in accordance with the Repayment Regulations.

It is possible that an employer may deduct less than it should from a Borrower's earnings or otherwise make deductions incorrectly. HMRC conducts random compliance checks against a sample of employers each year. Substantially all employers who have been subject to random compliance checks have been found to be making deductions correctly with 97% compliance in the 2016/17 financial year.

(c) **Direct debit system**

To avoid over repaying and to minimise the volume of refunds, SLC contacts PAYE Borrowers whose ICR Loans are due to be repaid in full within 23 months (assuming the Borrower's income remains at the current level), to offer them the option of repaying the remainder of their loan balance by direct debit rather than by salary deductions. If a PAYE Borrower accepts this option, SLC will instruct HMRC to issue a Stop Notice to the Borrower's employer so that future salary deductions are not taken.

## ***Self-Assessment Receipts***

### **(a) Process**

Borrowers who are self-employed (including those who are also employed), or are high earners within PAYE or receive income not taxed at source (for example outside the PAYE system) are subject to the self-assessment tax regime. Individuals must register with HMRC for self-assessment by 5 October following the tax year for which they will need to submit a return.

Borrowers who are subject to the self-assessment tax regime, rather than just to PAYE, are required to account for and make ICR Loan repayments in the same way as they account for and pay income tax. This requires those Borrowers to submit an annual self-assessment return of their total income and receive a bill for tax, including loan repayments due for the year, with credit given for any amounts already deducted through PAYE. ICR Loan repayments are calculated as part of the automated self-assessment tax calculation and included in the amount payable. Payment is due to HMRC by 31 January of the year following the end of the tax year.

The ICR Loan repayments due through self-assessment are currently reported by HMRC to SLC by 31 March and monthly thereafter in each year. In accordance with the Repayment Regulations, these amounts are treated as if paid on 31 January (the deadline for submission of annual self-assessment tax returns) to avoid any interest complications. There are monthly transfers from HMRC to SLC of self-assessment information from April onwards for any Borrowers whose self-assessment return amounts have not been extracted or were not available in time for the main transfer in March each year.

### **(b) Borrower over-repayment**

In the case of repayments through the self-assessment regime, Borrowers have until 31 January following the end of the tax year to file a return electronically, or until 31 October following the end of the tax year to submit a paper return. As such, information about repayments made which relate to a period may not be transferred to SLC until over a year after that period. If, as a result, a Borrower makes repayments that exceed the total amount payable on the ICR Loan, HMRC is obliged to refund the Borrower the amount over repaid. As HMRC will have paid the Secretary of State the amount collected from the Borrower, the Secretary of State must refund the excess to HMRC "for the Borrower's account".

The Secretary of State does not pay interest to HMRC on the amount over repaid as HMRC is deemed to receive the refund on the same date as the Seller is deemed to have received the excess repayment. Borrowers are, however, entitled to a refund with interest from HMRC on excess repayments made through self-assessment, both where the repayment exceeds the amount outstanding on the ICR Loan and where the repayment is made in a year in which the Borrower's income does not exceed the Repayment Threshold.

## ***Collecting repayments from Overseas Borrowers***

### **(a) Repayment**

When Borrowers leave the UK to reside abroad their ICR Loans can no longer be recovered automatically via the UK Tax System, unless they have UK source income and are required to submit a UK tax return. Consequently, those Borrowers should make SLC aware of their liability to repay and make arrangements with SLC to repay their loans directly. If SLC is aware that the Borrower has moved abroad, it will inform them of the methods of repayment available to them. Unlike more recent application forms, the forms used to originate the Transferred Loans did not include a confirmation that Borrowers would notify SLC if they left the UK or, for any other reason, fell outside the UK Tax System (although there was a declaration that Borrowers would notify SLC of changes to the details given on an application form, as described above in the Section entitled "*The Transferred Loans – Overview of the*

*Loan Agreement*" above). As a result, there are likely to be Borrowers who have moved overseas but are not recorded by SLC as Overseas Borrowers due to a failure of such Borrowers to inform SLC of their move abroad.

Where an Overseas Borrower informs SLC that they have moved abroad, SLC will determine the Overseas Borrower's liability to repay through information and evidence provided by the Overseas Borrower that confirms their status and income.

If Borrowers move abroad for a period exceeding three months but do not notify SLC of their contact details or set up a repayment schedule and SLC becomes aware that the Borrower has moved overseas, SLC will have repayments automatically scheduled using the 'default rate' of instalments. This enables default schedules to be set up, Borrowers to be traced and, where appropriate, legal action to be taken. Borrowers could also be charged penalties, which can be added to the outstanding loan amount, and be liable for the costs of any tracing agents employed by SLC. The Seller may also accelerate a Borrower's loan if the Borrower fails to pay an instalment or another amount on time although, as mentioned above, this right is only exercised in limited circumstances.

(b) **Receipts**

Since 2002, SLC has sought to trace Overseas Borrowers who fail to notify SLC of their whereabouts or make arrangements to repay their loans. Since June 2010, the process for the scheduling of arrears for Overseas Borrowers has been fully automated.

***Voluntary repayments***

All Borrowers may voluntarily repay all or part of their ICR Loan at any time by making payments directly to SLC. These repayments are made in addition to mandatory repayments. SLC applies these repayments to loan account balances immediately. Where these payments occur after the date of the Transaction, SLC will collect these repayments on behalf of the Issuer. These amounts will be transferred as Direct Receipts to the Issuer.

If a Borrower has taken out more than one type of loan (e.g. Plan 1 Loans and Plan 2 Loans and/or Postgraduate Master's Loans), the Borrower is entitled to elect to which loan balance the voluntary repayment should be applied. If an election is not specifically made, the voluntary repayment is currently applied by SLC to Plan 2 Loans first.

***Changes to Receipts Process***

***More Frequent Data Sharing***

Availability of "real-time" information was designed to improve the operation of PAYE and supports the Government's welfare reform programme. All employers and pension providers now report payroll data and student loan repayments to HMRC at the end of each payment period rather than making an annual return after the end of each tax year.

HMRC currently provides student loan data to SLC after the end of tax year. The Secretary of State, HMRC and SLC are exploring building more frequent data transfers relating to ICR Loans (which will include the Transferred Loans). The advantages of more frequent data sharing include increased compliance activity and more up-to-date balances for Borrowers. One of the key changes in respect of more frequent data transfers may be to the way interest is applied to balances. SLC's current practice is to assume that PAYE repayments are divided into 12 equal monthly instalments based on the annual return it receives from HMRC. Interest then is calculated accordingly. If SLC were able to update balances through more frequent data transfers then the interest rate on ICR loans could also be applied and calculated during the course of each tax year rather than at the end of a period. This would allow SLC to update balances for when payments are received rather than using the current practice. It should be noted that this change could reduce or increase the amount of interest received compared to the existing approach.

Any move to more frequent data sharing that results in a change to the way interest is applied, would likely require an amendment to the Repayment Regulations. Such amendment will not constitute a Compensation Event for which the Issuer will be compensated under the terms of the Loan Sale Agreement.

*Debt Market Integration*

As part of a cross-Government approach to managing debt, SLC will be working in partnership with Integrated Debt Services Ltd, a company jointly owned by the Government and TDX Group, which will provide a single point of access to a range of debt management and collection services for SLC.



## SERVICING AND PROCESSING OF ICR LOANS

### **Governance**

The Secretary of State's role is to ensure that an effective and efficient collection system is in place. HMRC and SLC are responsible for operating the collection system to deliver agreed performance levels.

The existing internal arrangements between the Secretary of State, UKGI, HMRC and SLC set out specific objectives for HMRC and SLC and the performance targets against which each will be assessed. For example, SLC is primarily assessed against criteria to ensure that all ICR Loan Borrowers who are liable to repay are making repayments. HMRC is assessed against how quickly employers start making deductions, how quickly FPS Return and self-assessment returns are processed and the accuracy of repayments deducted by employers.

In addition, the existing internal arrangements specify that HMRC and SLC will work together to achieve their objectives and therefore set out the information that each of HMRC and SLC will send to the other, and the frequency with which information will be transferred.

These internal performance targets and the effectiveness of the arrangements are reviewed annually.

The Master Servicer will have in place certain internal governance arrangements with the Delegates in relation to the provision of servicing and collection activities relating to the Transferred Loans and the calculation, reporting and other obligations of the Master Servicer under the Master Servicing Agreement (as such activities may be amended, modified or supplemented from time to time). These governance arrangements include both a working group which brings together the Master Servicer and the Delegates (the "**Master Servicer Working Group**") and a board which will be chaired by a senior civil servant of DfE (the "**Master Servicer Board**").

It is planned that the Master Servicer Working Group will meet monthly and at such additional times as may be required and will: (a) be responsible for the day-to-day management of the services to be provided under the Master Servicing Agreement; (b) oversee the discharge of the Master Servicer's annual obligations under the Master Servicing Agreement; and (c) be the first point of discussion for managing any emerging risks or issues in relation to the performance of the services under the Master Servicing Agreement and escalating these to the Master Servicer Board as appropriate.

It is planned that the Master Servicer Board will meet quarterly and at such additional times as may be required (for example, following the occurrence of a Servicing Event or a Compensation Event) and will: (a) be accountable within Government for ensuring that the Master Servicer functions are discharged by the Master Servicer in accordance with the terms of the Master Servicing Agreement; and (b) act as a point of escalation for any material issues or decisions that arise in connection with the servicing and collection activities relating to the Transferred Loans that fall outside or above the remit of the Master Servicer Working Group.

### **Key Performance Indicators**

#### (a) **HMRC**

HMRC measures its servicing of the wider student loan book using six KPIs. These relate to the speed with which Borrower information is processed, as well as the accuracy and punctuality of these deductions. The majority of these measures are longstanding and have seen increases in performance as a result of continuous improvement. The processes and system design are well established and as a result HMRC tends to meet or exceed these targets. The six KPIs and their current targets are set out below.

<b>KPIs</b>	<b>Target<sup>9</sup></b>
Average delay in starting repayments for new Borrowers	0.55 months
Average delay in starting repayments when a Borrower moves employment	0.5 months
Percentage of matched and found Borrowers; with timely and accurate deductions	95%
Percentage of end of year PAYE returns passed to SLC by 31 July	92%
Percentage of SA returns passed to SLC by end of March	82%
Percentage of SA exceptions processed for current year, by end of March	93%

(b) **SLC**

SLC appraises its performance using a range of measures. Three of these are relevant for the loan sale and will be reported against annually in the investor report. These are set out below. SLC has a strong record of delivery against its targets. SLC has exceeded targets for these three measures consistently for the last four years, excluding a small dip in performance against the second of these in 2013.

<b>KPIs</b>	<b>Target<sup>10</sup></b>
Percentage of existing Borrowers matched to the correct repayment channel by their SRDD (UK & EU Borrowers, resident in UK)	89.6%
Percentage of UK Borrowers resident overseas matched to the correct repayment channel (UK Borrowers, resident overseas)	73.0%
Percentage of EU Borrowers resident overseas matched to the correct repayment channel (EU Borrowers, resident overseas)	56.5%

For the avoidance of doubt, the Servicing KPIs do not form part of the Services or the Servicing Standard. Any deterioration in performance or any failure to achieve a stated target of any Servicing KPI shall not in itself constitute a Servicing Event. The Servicing KPIs may be updated from time to time by the Master Servicer to reflect the then current Servicing KPIs agreed between the Master Servicer and the Delegates. The Servicing KPIs to be included in the Servicing Report shall be updated from the next following Distribution Date to reflect the then current Servicing KPIs.

No assurance or guarantee can be provided that a stated target of any Servicing KPI will be met. In addition, there can be no guarantee that past performance in relation to the Servicing KPIs will continue in the future.

<sup>9</sup> The KPI targets provided for HMRC are for the year 2017/2018.

<sup>10</sup> The KPI targets provided for SLC are for the year 2017/2018.

## **Resources**

### (a) **HMRC**

The HMRC Student Loans Product and Process Owner is responsible for ensuring HMRC delivers an effective service. The core Student Finance team has 21.5 FTE staff working on managing the end to end ICR Loan collections process. Staff are based in London, Telford and East Kilbride. An additional 65 FTE staff within Customer Service Operations form a student loan unit dedicated to dealing with exceptions handling and day to day queries for the collections process. They deliver a 'virtual' Borrower service in partnership with SLC.

### (b) **SLC**

SLC's head office is in Glasgow. It also has operations in Hillington, Darlington and Llandudno Junction. SLC currently employs approximately 2,800 people. The ICR department, based in Glasgow, currently employs approximately 30 full time employees and their main role is to place Borrowers into a repayment channel. The Collections Department, based in Glasgow, currently employs approximately 160 full time employees. Their responsibilities include collecting overdue repayments from Overseas Borrowers.

## **IT Systems**

### (a) **HMRC**

#### *SLBS system*

The SLBS system provides IT support for the collection of ICR Loan repayments by HMRC. SLBS performs the following operations:

- matches Borrower information from SLC to HMRC records and issues notification of match statuses to SLC;
- issues Start Notices and Stop Notices to employers;
- collates and validates the accuracy of end of year records in respect of PAYE deductions and self-assessment calculations in order for the information to be passed to SLC; and
- reports the collection of ICR Loan deductions received in a tax year to the Secretary of State.

The BES (Business Exchange Service) Managed Service enables the transfer of data to SLC and hence is a critical step for batch processing of repayment information.

### (b) **SLC**

#### *CLASS system*

CLASS incorporates the systems that deal with the payment and repayment of student finance products. This includes scheduling and issuing payments, account maintenance, interest accrual, maintenance of Borrower details and financial details for HEIs and Borrowers, repayment scheduling, refunds, etc. These systems also provide financial reconciliation and business support functionality internally and externally.

#### *Tallyman system*

The Tallyman system is a package application provided by Experian which has external interfaces with debt collection agencies and an internal interface with CLASS. It is the main system used by the Collections Department for managing repayments from Overseas Borrowers who have fallen into arrears. Tallyman assists staff to:

- process unpaid accounts through telephone receipt and letter production;
- take control of accounts in arrears; and
- provide regular statistical reports (daily, weekly and monthly) on the volume and value of arrears.

#### *Repayment Portal*

Borrowers who have started repaying their ICR Loans can log into the Repayment Portal to view their account details, calculate their balance and make voluntary repayments.

#### *Online application system*

Between the academic years 2012 and 2014, the SLC's online application system allowed Borrowers to amend their course dates. In some cases they did so in such a way that they were assigned to the incorrect cohort for funding purposes. This led them to being paid incorrect maintenance and tuition fee loans and also incorrect grants. The online application system was changed in 2014 to remove the ability to input or amend course data such as start and end dates. In June 2015 the issues with repayment plan type for these customers came to light, a significant piece of work was carried out to identify a suitable remediation approach and work began on the remediation process for the 6,835 Borrowers no longer in study in February 2017 whereby both affected Borrowers and HEIs were informed of the issue. Neither the Transferred Loans nor any of the Borrowers whose ICR Loans are included in the Portfolio were impacted by this issue.

#### *SLC interest issue*

In relation to certain tuition fee loans where borrowers have changed their circumstances in some way (such as changing courses), SLC have identified an issue with regard to the start date for applying interest in relation to such loans. In certain cases, interest was only applied from the date of the change in circumstances and not the origination date, resulting in less interest being applied. Approximately 337,000 borrowers are impacted and the interest deficit is £16.4m. However, the issue impacts only tuition fee loans and no affected loans are included in the Portfolio. SLC are in the process of designing and testing potential solutions.

### ***IT Projects***

SLC is currently undertaking the following IT projects:

- *Business Services*: SLC has completed the upgrade of the infrastructure for the core lending, payment and repayment systems, known as CLASS. This was done in two phases, phase 1 completed in Q4 2015 and phase 2 completed in Q2 2017. This resulted in the uplift of both hardware and operating system to current industry best practice, with improved security and disaster recovery capability.
- *Data Services*: SLC has implemented a new data warehouse capability in Q3 2017, known as Strategic Data Warehouse. This provides far greater flexibility, responsiveness, scalability, resilience and security than the previous data warehouse platforms.

HMRC is considering the following projects:

- *IT Re-platforming*: As part of HMRC's transformation agenda, HMRC has secured funding via DfE to re-platform the current SLBS system onto new, strategic IT services. The re-platforming will replicate the functionality of the existing SLBS system using HMRC core tax IT services. This work is an essential enabler for student loan process enhancements (for instance, more frequent data sharing) and aligns with the wider HMRC aspiration of becoming the most digitally advanced tax authority in the world.

- *Digital Transformation*: HMRC are becoming an increasingly digital tax administration. As part of this, they are making significant changes to their IT, which include the introduction of the 'digital tax account'. This could provide some opportunities for process improvements.

See also the section of this Prospectus entitled "*Risk Factors – Assets and Systems Risks – Service providers' and systems' risks – Risk relating to the Master Servicer – IT systems*".

### **Information Reconciliation**

There is no direct link between HMRC's system (SLBS) and SLC's system (CLASS). As these systems hold Borrower repayment records, it is important for the information held on each system to be reconciled to ensure that Borrowers' accounts accurately reflect amounts repaid and reported to SLC by HMRC and due to an Issuer.

Since May 2014 HMRC sends to SLC a monthly summary file of transactions for the year to date and a monthly file of transactions per Borrower which will include a net figure. SLC will compare this information to summary reports and produce an exceptions report of accounts not reconciling between HMRC's and SLC's records. These will be investigated and where practicable a solution sought to resolve errors. The total discrepancy figure should diminish each year as causes are identified and removed from the systems.

### **Borrower Statements**

From May each year, once the end of year information has been received from HMRC, SLC issues annual statements to Borrowers. These statements show the repayments relating to the tax year which ended on 5 April of the previous calendar year, interest accrued and the updated loan account balance. The balance is not accurate as at the date the statement is issued but is calculated up to the end of the tax year which ended on 5 April of the previous calendar year. The balance would, therefore, not take account of any further repayments made either through PAYE or directly to SLC after the end of such tax year. These would appear on the Borrower's statement for the following year.

SLC is able to provide an up to date balance, and settlement figure if requested, to Borrowers who contact SLC Customer Service Office as long as they are able to provide details of their payslips since the last statement. Similarly, an online 'Balance Calculator' is available for Borrowers to use to calculate an updated balance since the end of the previous tax year, provided Borrowers have details of the ICR Loan deductions made by their employers.

### **Disaster recovery**

HMRC has disaster recovery and business continuity arrangements in place which seek to mitigate the risks resulting from an IT systems issue. SLBS was launched in 2000 and provides IT support for the collection of ICR Loan repayments by HMRC. The SLBS infrastructure was refreshed in 2013 and the technology SLBS utilises has upgrades and maintenance support planned through to the 2020s. The SLBS infrastructure resides at a third party data centre which is the subject of external audit by a number of bodies. The third party data centre has in place disaster recovery arrangements which seek to mitigate the risks resulting from an IT systems issue. Failover is managed through the use of supplementary equipment in an alternative location and data is backed up daily with the back-up stored off-site. A disaster recovery scenario is tested at releases. SLBS also benefits from the disaster recovery plans to protect the larger IT systems that are critical to the operation of the UK Tax System.

SLC has business continuity arrangements in place which are subject to annual review. SLC is currently implementing a disaster recovery and data centre consolidation project for the purpose of ensuring that core services are maintained in the event of an incident which affects SLC's ability to carry out its services. As part of this project the number of data centres has reduced from three to two, with production and development in one data centre and the other data centre used to provide capability for disaster recovery.

Phase 1 of the disaster recovery and data centre consolidation programme has been completed and successfully consolidated the SLC data centres to two, delivered a new core strategic network and virtualised infrastructure.

Phase 2 is well under way and has built and tested compliant disaster recovery for the systems relating to ICR Loans and has also implemented diverse resilient routing (fibre links) into both data centres and all operational centres (Bothwell Street, Hillington, and Darlington). Two fully operational business continuity sites have been established and tested to provide SLC with alternative locations from which to operate in the event of either the Bothwell Street or Darlington offices being unavailable through a disaster event.

In 2017 SLC upgraded the core platforms that support the loan sale. The lending and the strategic data warehouse platforms are now on current versions of industry software from Oracle and IBM respectively. In addition all supporting infrastructure used by these platforms has been remediated to required levels of performance, capacity and resilience set out in service level agreements. The platforms have been configured for disaster recovery within and between data centres with fail over scenarios documented and tested by a third party consultancy.

### ***Complaints***

Both HMRC and SLC have resources and processes in place for managing complaints relating to ICR Loans. As all communications to Borrowers in respect of ICR Loans come from SLC, SLC tends to be the recipient of more complaints than HMRC.

## CHARACTERISTICS OF THE PORTFOLIO

### 1. COMPOSITION OF DATA

The data presented in this Prospectus for the Transferred Loans as of the Note Issuance Date will be based on the application of the Eligibility Criteria on the Cut-Off Date and, on the Final Extraction Date, any Loans which are or have become Excluded Loans will be removed for the purposes of determining the Final Extraction Date Portfolio. The Portfolio as at the Note Issuance Date has been randomly selected from the Final Extraction Date Portfolio.

The tables and charts used in this section entitled "Characteristics of the Portfolio" set out certain information in respect of ICR Loans and certain characteristics of the Transferred Loans as at the Final Extraction Date.

For the purposes of these tables and charts, an ICR Loan and its Borrower are considered to be (i) "open" if the ICR Loan has a positive interest bearing balance as at the Extraction Date and it is not an Excluded Loan or a closed ICR Loan, (ii) "closed" if the ICR Loan is classed as closed by SLC because it is (or is in the process of being) fully repaid, cancelled or written off, the ICR Loan has a balance of less than £120 or its Borrower will have reached the age of 65 or above by 31 December 2017, and (iii) "excluded" if the ICR Loan has a positive interest bearing balance as at the Extraction Date but is an Excluded Loan and not a closed ICR Loan.

The information included in the tables and charts below has been extracted from the CLASS system (see "*Servicing and processing of ICR Loans – CLASS System*" below). The information relating to the closed ICR Loans, which is historical given that such ICR Loans are closed, has been included for information purposes only and will not have gone through the same rigorous checks as for the open and excluded ICR Loans. However, this should not materially impact the information included in the tables and charts below.

### 2. Key Characteristics of the Provisional Portfolio

As of the Cut-Off Date, the Provisional Portfolio had the following key characteristics:

Aggregate Transferred Loan balance	current balance is £3,726,516,887
Number of Borrowers	432,025
Average Transferred Loan's balance per Borrower	mean current balance is £8,626
Number of Transferred Loans	1,260,422
Largest Transferred Loan (Outstanding Amount on the Cut-Off Date)	current max balance is £46,228
Average Transferred Loan balance (Outstanding Amount on the Cut-Off Date)	£2,956
Weighted average seasoning (months)	126

Approximately 3.8% of the Transferred Loans comprising the Provisional Portfolio are Transferred Loans currently with Overseas Borrowers.

### 3. Stratification Tables

The stratification tables set out below are given for the entire ICR loan book as well as by cohort.

#### 3.1 Entire ICR Loan Book and by cohort – outstanding balance and number of borrowers

<b>Date of Reference Pool 31<sup>st</sup> March 2016</b>						
<b>Cohort</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of borrowers</b>	<b>% of Total</b>	<b>Number of Loans</b>	<b>% of Total</b>
2002	281,818,552	7.6%	41,145	9.5%	97,914	7.8%
2003	584,881,980	15.7%	72,873	16.9%	200,721	15.9%
2004	801,271,862	21.5%	92,043	21.3%	271,258	21.5%
2005	952,971,270	25.6%	105,524	24.4%	320,224	25.4%
2006	1,105,573,224	29.7%	120,440	27.9%	370,305	29.4%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>	<b>1,260,422</b>	<b>100.0%</b>

#### 3.2 Outstanding Amount per Borrower

<b>Full Pool</b>				
<b>Current Balance (per Borrower)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000	41,816,847	1.1%	35,275	8.2%
>= £2,000 and < £4,000	183,625,570	4.9%	60,231	13.9%
>= £4,000 and < £6,000	309,033,800	8.3%	62,015	14.4%
>= £6,000 and < £8,000	398,460,128	10.7%	56,885	13.2%
>= £8,000 and < £10,000	489,953,356	13.1%	54,487	12.6%
>= £10,000 and < £12,000	576,534,673	15.5%	52,644	12.2%
>= £12,000 and < £14,000	527,485,253	14.2%	40,619	9.4%
>= £14,000 and < £16,000	504,711,727	13.5%	33,878	7.8%
>= £16,000 and < £18,000	253,836,236	6.8%	15,008	3.5%
>= £18,000 and < £20,000	196,820,532	5.3%	10,389	2.4%
>= £20,000	244,238,766	6.6%	10,594	2.5%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<b>2002 Cohort</b>				
<b>Current Balance (per Borrower)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000	5,995,078	2.1%	5,073	12.3%
>= £2,000 and < £4,000	24,325,584	8.6%	7,991	19.4%
>= £4,000 and < £6,000	34,449,210	12.2%	6,936	16.9%
>= £6,000 and < £8,000	39,329,557	14.0%	5,631	13.7%
>= £8,000 and < £10,000	45,696,177	16.2%	5,081	12.3%
>= £10,000 and < £12,000	48,795,787	17.3%	4,467	10.9%
>= £12,000 and < £14,000	48,417,405	17.2%	3,719	9.0%
>= £14,000 and < £16,000	23,251,223	8.3%	1,575	3.8%
>= £16,000 and < £18,000	9,323,835	3.3%	554	1.3%
>= £18,000 and < £20,000	1,950,733	0.7%	105	0.3%
>= £20,000	283,964	0.1%	13	0.0%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>



2003 Cohort

<i>Current Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	8,169,254	1.4%	6,853	9.4%
>= £2,000 and < £4,000	34,748,934	5.9%	11,402	15.6%
>= £4,000 and < £6,000	54,341,350	9.3%	10,938	15.0%
>= £6,000 and < £8,000	68,643,105	11.7%	9,801	13.4%
>= £8,000 and < £10,000	82,206,745	14.1%	9,135	12.5%
>= £10,000 and < £12,000	93,768,335	16.0%	8,571	11.8%
>= £12,000 and < £14,000	83,891,176	14.3%	6,465	8.9%
>= £14,000 and < £16,000	80,270,818	13.7%	5,388	7.4%
>= £16,000 and < £18,000	39,315,954	6.7%	2,329	3.2%
>= £18,000 and < £20,000	24,985,372	4.3%	1,322	1.8%
>= £20,000	14,540,938	2.5%	669	0.9%
	584,881,980	100.0%	72,873	100.0%

2004 Cohort

<i>Current Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	8,639,904	1.1%	7,186	7.8%
>= £2,000 and < £4,000	39,077,785	4.9%	12,852	14.0%
>= £4,000 and < £6,000	65,836,831	8.2%	13,210	14.4%
>= £6,000 and < £8,000	83,523,162	10.4%	11,914	12.9%
>= £8,000 and < £10,000	102,367,375	12.8%	11,383	12.4%
>= £10,000 and < £12,000	123,866,967	15.5%	11,297	12.3%
>= £12,000 and < £14,000	111,010,683	13.9%	8,550	9.3%
>= £14,000 and < £16,000	112,001,745	14.0%	7,514	8.2%
>= £16,000 and < £18,000	59,163,678	7.4%	3,497	3.8%
>= £18,000 and < £20,000	45,595,334	5.7%	2,406	2.6%
>= £20,000	50,188,399	6.3%	2,234	2.4%
	801,271,862	100.0%	92,043	100.0%

2005 Cohort

<i>Current Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	8,996,446	0.9%	7,545	7.2%
>= £2,000 and < £4,000	40,960,067	4.3%	13,413	12.7%
>= £4,000 and < £6,000	74,226,463	7.8%	14,880	14.1%
>= £6,000 and < £8,000	96,970,275	10.2%	13,847	13.1%
>= £8,000 and < £10,000	119,218,485	12.5%	13,266	12.6%
>= £10,000 and < £12,000	142,146,088	14.9%	12,970	12.3%
>= £12,000 and < £14,000	130,691,566	13.7%	10,069	9.5%
>= £14,000 and < £16,000	133,895,491	14.1%	8,976	8.5%
>= £16,000 and < £18,000	69,210,374	7.3%	4,092	3.9%
>= £18,000 and < £20,000	57,991,494	6.1%	3,060	2.9%
>= £20,000	78,664,520	8.3%	3,406	3.2%
	952,971,270	100.0%	105,524	100.0%

<b>2006 Cohort</b>				
<i>Current Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	10,016,165	0.9%	8,618	7.2%
>= £2,000 and < £4,000	44,513,201	4.0%	14,573	12.1%
>= £4,000 and < £6,000	80,179,946	7.3%	16,051	13.3%
>= £6,000 and < £8,000	109,994,030	9.9%	15,692	13.0%
>= £8,000 and < £10,000	140,464,575	12.7%	15,622	13.0%
>= £10,000 and < £12,000	167,957,495	15.2%	15,339	12.7%
>= £12,000 and < £14,000	153,474,424	13.9%	11,816	9.8%
>= £14,000 and < £16,000	155,292,451	14.0%	10,425	8.7%
>= £16,000 and < £18,000	76,822,395	6.9%	4,536	3.8%
>= £18,000 and < £20,000	66,297,598	6.0%	3,496	2.9%
>= £20,000	100,560,945	9.1%	4,272	3.5%
	<b>1,105,573,224</b>	<b>100.0%</b>	<b>120,440</b>	<b>100.0%</b>

### 3.3 Original balance per Borrower

<b>Full Pool</b>				
<i>Original Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	9,934,293	0.3%	7,909	1.8%
>= £2,000 and < £4,000	97,630,428	2.6%	32,958	7.6%
>= £4,000 and < £6,000	153,380,128	4.1%	33,412	7.7%
>= £6,000 and < £8,000	288,989,412	7.8%	44,813	10.4%
>= £8,000 and < £10,000	718,311,234	19.3%	94,745	21.9%
>= £10,000 and < £12,000	1,071,978,072	28.8%	111,494	25.8%
>= £12,000 and < £14,000	575,698,576	15.4%	51,147	11.8%
>= £14,000 and < £16,000	448,603,316	12.0%	34,230	7.9%
>= £16,000 and < £18,000	180,312,312	4.8%	11,800	2.7%
>= £18,000 and < £20,000	98,959,816	2.7%	5,605	1.3%
>= £20,000	82,719,300	2.2%	3,912	0.9%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<b>2002 Cohort</b>				
<i>Original Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	1,620,676	0.6%	1,114	2.7%
>= £2,000 and < £4,000	18,914,795	6.7%	6,324	15.4%
>= £4,000 and < £6,000	24,744,236	8.8%	5,344	13.0%
>= £6,000 and < £8,000	54,894,674	19.5%	8,401	20.4%
>= £8,000 and < £10,000	95,153,915	33.8%	11,563	28.1%
>= £10,000 and < £12,000	66,729,161	23.7%	6,807	16.5%
>= £12,000 and < £14,000	18,637,529	6.6%	1,513	3.7%
>= £14,000 and < £16,000	748,433	0.3%	56	0.1%
>= £16,000 and < £18,000	337,718	0.1%	21	0.1%
>= £18,000 and < £20,000	37,414	0.0%	2	0.0%
>= £20,000	0	0.0%	0	0.0%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

### 2003 Cohort

<i>Original Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	1,972,547	0.3%	1,380	1.9%
>= £2,000 and < £4,000	20,864,385	3.6%	6,955	9.5%
>= £4,000 and < £6,000	29,935,848	5.1%	6,397	8.8%
>= £6,000 and < £8,000	55,326,952	9.5%	8,469	11.6%
>= £8,000 and < £10,000	124,890,800	21.4%	16,579	22.8%
>= £10,000 and < £12,000	199,141,377	34.0%	20,716	28.4%
>= £12,000 and < £14,000	93,736,641	16.0%	8,211	11.3%
>= £14,000 and < £16,000	45,250,640	7.7%	3,322	4.6%
>= £16,000 and < £18,000	10,949,627	1.9%	690	0.9%
>= £18,000 and < £20,000	2,458,448	0.4%	138	0.2%
>= £20,000	354,715	0.1%	16	0.0%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

### 2004 Cohort

<i>Original Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	1,846,397	0.2%	1,348	1.5%
>= £2,000 and < £4,000	19,933,222	2.5%	6,651	7.2%
>= £4,000 and < £6,000	31,193,396	3.9%	6,779	7.4%
>= £6,000 and < £8,000	58,318,285	7.3%	9,018	9.8%
>= £8,000 and < £10,000	144,673,259	18.1%	19,250	20.9%
>= £10,000 and < £12,000	245,984,829	30.7%	25,611	27.8%
>= £12,000 and < £14,000	126,213,394	15.8%	11,199	12.2%
>= £14,000 and < £16,000	108,059,350	13.5%	8,308	9.0%
>= £16,000 and < £18,000	37,363,887	4.7%	2,400	2.6%
>= £18,000 and < £20,000	19,007,840	2.4%	1,073	1.2%
>= £20,000	8,678,004	1.1%	406	0.4%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

### 2005 Cohort

<i>Original Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	1,994,913	0.2%	1,634	1.5%
>= £2,000 and < £4,000	18,565,093	1.9%	6,281	6.0%
>= £4,000 and < £6,000	33,547,133	3.5%	7,287	6.9%
>= £6,000 and < £8,000	60,430,434	6.3%	9,431	8.9%
>= £8,000 and < £10,000	163,509,465	17.2%	21,866	20.7%
>= £10,000 and < £12,000	267,630,483	28.1%	27,943	26.5%
>= £12,000 and < £14,000	156,287,791	16.4%	13,914	13.2%
>= £14,000 and < £16,000	133,597,439	14.0%	10,251	9.7%
>= £16,000 and < £18,000	56,916,579	6.0%	3,746	3.5%
>= £18,000 and < £20,000	34,239,982	3.6%	1,922	1.8%
>= £20,000	26,251,958	2.8%	1,249	1.2%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>

<b>2006 Cohort</b>				
<i>Original Balance (per Borrower)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £2,000	2,499,760	0.2%	2,433	2.0%
>= £2,000 and < £4,000	19,352,933	1.8%	6,747	5.6%
>= £4,000 and < £6,000	33,959,514	3.1%	7,605	6.3%
>= £6,000 and < £8,000	60,019,067	5.4%	9,494	7.9%
>= £8,000 and < £10,000	190,083,795	17.2%	25,487	21.2%
>= £10,000 and < £12,000	292,492,223	26.5%	30,417	25.3%
>= £12,000 and < £14,000	180,823,222	16.4%	16,310	13.5%
>= £14,000 and < £16,000	160,947,453	14.6%	12,293	10.2%
>= £16,000 and < £18,000	74,744,501	6.8%	4,943	4.1%
>= £18,000 and < £20,000	43,216,132	3.9%	2,470	2.1%
>= £20,000	47,434,623	4.3%	2,241	1.9%
	1,105,573,224	100.0%	120,440	100.0%

### 3.4 Type of Loan<sup>11</sup>

<b>Full Pool</b>				
<i>Type of Loan</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Maintenance loan (SS)	3,713,570,842	99.7%	426,813	98.8%
Transitional loan (TL)	8,499,938	0.2%	2,709	0.6%
Part time maintenance loan (PT)	4,446,107	0.1%	2,503	0.6%
	3,726,516,887	100.0%	432,025	100.0%

<b>2002 Cohort</b>				
<i>Type of Loan</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Maintenance loan (SS)	276,758,920	98.2%	39,316	95.6%
Transitional loan (TL)	5,042,222	1.8%	1,805	4.4%
Part time maintenance loan (PT)	17,410	0.0%	24	0.1%
	281,818,552	100.0%	41,145	100.0%

<b>2003 Cohort</b>				
<i>Type of Loan</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Maintenance loan (SS)	581,931,297	99.5%	71,992	98.8%
Transitional loan (TL)	2,750,697	0.5%	783	1.1%
Part time maintenance loan (PT)	199,986	0.0%	98	0.1%
	584,881,980	100.0%	72,873	100.0%

<sup>11</sup> For the purposes of this table, a 'Maintenance loan' is a loan that covers the borrower's living cost; 'Transitional loan' is a loan that was taken on during the transitional period when the ICR scheme was introduced and the mortgage-style scheme was being wound down; 'Part time loan' is a loan given to part-time higher education students.

<b>2004 Cohort</b>				
<b>Type of Loan</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Maintenance loan (SS)	799,947,987	99.8%	91,699	99.6%
Transitional loan (TL)	589,611	0.1%	104	0.1%
Part time maintenance loan (PT)	734,264	0.1%	240	0.3%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

<b>2005 Cohort</b>				
<b>Type of Loan</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Maintenance loan (SS)	951,441,517	99.8%	104,872	99.4%
Transitional loan (TL)	86,093	0.0%	11	0.0%
Part time maintenance loan (PT)	1,443,660	0.2%	641	0.6%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>

<b>2006 Cohort</b>				
<b>Type of Loan</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Maintenance loan (SS)	1,103,491,121	99.8%	118,934	98.7%
Transitional loan (TL)	31,315	0.0%	6	0.0%
Part time maintenance loan (PT)	2,050,788	0.2%	1,500	1.2%
	<b>1,105,573,224</b>	<b>100.0%</b>	<b>120,440</b>	<b>100.0%</b>

### 3.5 Type of Repayment per Borrower in 2015/2016 Accounts Period<sup>12 13</sup>

<b>Full Pool</b>				
<b>Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only	1,725,492,247	46.3%	223,277	51.7%
SA only	137,272,570	3.7%	16,292	3.8%
Direct to SLC only	19,050,024	0.5%	2,200	0.5%
PAYE & SA	75,183,834	2.0%	10,323	2.4%
PAYE & Direct to SLC	2,281,705	0.1%	455	0.1%
PAYE, SA & Direct to SLC	40,260	0.0%	9	0.0%
SA & Direct to SLC	74,795	0.0%	10	0.0%
Voluntary only	21,877,323	0.6%	2,860	0.7%
Voluntary & PAYE	10,255,135	0.3%	1,856	0.4%
Voluntary & SA	2,190,535	0.1%	318	0.1%
Voluntary, PAYE & SA	712,114	0.0%	135	0.0%
Voluntary, PAYE & Direct to SLC	973,813	0.0%	110	0.0%
Voluntary, SA & Direct to SLC	38,104	0.0%	4	0.0%
Voluntary & Direct to SLC	25,475,696	0.7%	2,672	0.6%
Voluntary, PAYE, SA, Direct to SLC	8,743	0.0%	1	0.0%
No repayments	1,705,589,990	45.8%	171,503	39.7%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<sup>12</sup> This table has been produced based on the last repayment amount by each repayment type in 2015/2016 Accounts Period: if a borrower made any repayment by any of the repayment methods, the Borrower is identified as repaying using this particular repayment type.

<sup>13</sup> Reference in this table to "Direct to SLC" includes direct debit, card, bank transfer and cheque repayments and references to "Voluntary" refers to voluntary repayments by borrowers.

<b>2002 Cohort</b>				
<b>Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only	100,410,401	35.6%	16,973	41.3%
SA only	9,996,341	3.5%	1,536	3.7%
Direct to SLC only	1,017,726	0.4%	136	0.3%
PAYE & SA	4,319,154	1.5%	771	1.9%
PAYE & Direct to SLC	137,089	0.0%	32	0.1%
PAYE, SA & Direct to SLC	0	0.0%	0	0.0%
SA & Direct to SLC	4,524	0.0%	1	0.0%
Voluntary only	1,580,404	0.6%	283	0.7%
Voluntary & PAYE	587,113	0.2%	137	0.3%
Voluntary & SA	81,509	0.0%	20	0.0%
Voluntary, PAYE & SA	52,512	0.0%	18	0.0%
Voluntary, PAYE & Direct to SLC	12,048	0.0%	3	0.0%
Voluntary, SA & Direct to SLC	0	0.0%	0	0.0%
Voluntary & Direct to SLC	1,425,291	0.5%	178	0.4%
Voluntary, PAYE, SA, Direct to SLC	0	0.0%	0	0.0%
No repayments	162,194,438	57.6%	21,057	51.2%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<b>Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only	238,097,427	40.7%	34,129	46.8%
SA only	22,457,698	3.8%	2,911	4.0%
Direct to SLC only	2,637,800	0.5%	324	0.4%
PAYE & SA	11,194,129	1.9%	1,639	2.2%
PAYE & Direct to SLC	215,132	0.0%	60	0.1%
PAYE, SA & Direct to SLC	2,143	0.0%	2	0.0%
SA & Direct to SLC	4,742	0.0%	1	0.0%
Voluntary only	3,812,126	0.7%	532	0.7%
Voluntary & PAYE	1,424,919	0.2%	292	0.4%
Voluntary & SA	233,260	0.0%	43	0.1%
Voluntary, PAYE & SA	97,018	0.0%	17	0.0%
Voluntary, PAYE & Direct to SLC	77,191	0.0%	12	0.0%
Voluntary, SA & Direct to SLC	0	0.0%	0	0.0%
Voluntary & Direct to SLC	3,512,854	0.6%	393	0.5%
Voluntary, PAYE, SA, Direct to SLC	0	0.0%	0	0.0%
No repayments	301,115,541	51.5%	32,518	44.6%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<b>2004 Cohort</b>				
<b>Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only	359,465,381	44.9%	46,650	50.7%
SA only	30,855,750	3.9%	3,664	4.0%
Direct to SLC only	3,910,414	0.5%	474	0.5%
PAYE & SA	15,865,619	2.0%	2,255	2.4%
PAYE & Direct to SLC	497,746	0.1%	103	0.1%
PAYE, SA & Direct to SLC	7,748	0.0%	2	0.0%
SA & Direct to SLC	2,555	0.0%	1	0.0%
Voluntary only	4,900,551	0.6%	640	0.7%
Voluntary & PAYE	2,200,701	0.3%	395	0.4%
Voluntary & SA	540,242	0.1%	76	0.1%
Voluntary, PAYE & SA	158,891	0.0%	31	0.0%
Voluntary, PAYE & Direct to SLC	177,102	0.0%	21	0.0%
Voluntary, SA & Direct to SLC	7,006	0.0%	1	0.0%
Voluntary & Direct to SLC	5,613,789	0.7%	583	0.6%
Voluntary, PAYE, SA, Direct to SLC	0	0.0%	0	0.0%
No repayments	377,068,367	47.1%	37,147	40.4%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

<b>2005 Cohort</b>				
<b>Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only	458,582,703	48.1%	57,114	54.1%
SA only	34,850,266	3.7%	3,916	3.7%
Direct to SLC only	5,002,935	0.5%	566	0.5%
PAYE & SA	19,963,748	2.1%	2,592	2.5%
PAYE & Direct to SLC	686,478	0.1%	128	0.1%
PAYE, SA & Direct to SLC	11,848	0.0%	3	0.0%
SA & Direct to SLC	29,336	0.0%	2	0.0%
Voluntary only	5,585,808	0.6%	672	0.6%
Voluntary & PAYE	2,687,339	0.3%	475	0.5%
Voluntary & SA	637,862	0.1%	89	0.1%
Voluntary, PAYE & SA	167,904	0.0%	29	0.0%
Voluntary, PAYE & Direct to SLC	318,923	0.0%	34	0.0%
Voluntary, SA & Direct to SLC	17,794	0.0%	2	0.0%
Voluntary & Direct to SLC	6,867,177	0.7%	707	0.7%
Voluntary, PAYE, SA, Direct to SLC	8,743	0.0%	1	0.0%
No repayments	417,552,406	43.8%	39,194	37.1%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>

<b>2006 Cohort</b>				
<b>Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only	568,936,334	51.5%	68,411	56.8%
SA only	39,112,515	3.5%	4,265	3.5%
Direct to SLC only	6,481,149	0.6%	700	0.6%
PAYE & SA	23,841,185	2.2%	3,066	2.5%
PAYE & Direct to SLC	745,259	0.1%	132	0.1%
PAYE, SA & Direct to SLC	18,522	0.0%	2	0.0%
SA & Direct to SLC	33,638	0.0%	5	0.0%
Voluntary only	5,998,433	0.5%	733	0.6%
Voluntary & PAYE	3,355,062	0.3%	557	0.5%
Voluntary & SA	697,661	0.1%	90	0.1%
Voluntary, PAYE & SA	235,788	0.0%	40	0.0%
Voluntary, PAYE & Direct to SLC	388,550	0.0%	40	0.0%
Voluntary, SA & Direct to SLC	13,303	0.0%	1	0.0%
Voluntary & Direct to SLC	8,056,585	0.7%	811	0.7%

Voluntary, PAYE, SA, Direct to SLC	0	0.0%	0	0.0%
No repayments	447,659,239	40.5%	41,587	34.5%
	1,105,573,224	100.0%	120,440	100.0%

### 3.6 Repayment Status as of the Cut-Off Date<sup>14</sup>

<b>Full Pool</b>				
<i>Repayment Status as of the Cut-Off Date</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Made repayment in 2015/2016 receipts period	2,020,926,897	54.2%	260,522	60.3%
No repayment made in 2015/2016 receipts period	1,705,589,990	45.8%	171,503	39.7%
	3,726,516,887	100.0%	432,025	100.0%

<b>2002 Cohort</b>				
<i>Repayment Status as of the Cut-Off Date</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Made repayment in 2015/2016 receipts period	119,624,114	42.4%	20,088	48.8%
No repayment made in 2015/2016 receipts period	162,194,438	57.6%	21,057	51.2%
	281,818,552	100.0%	41,145	100.0%

<b>2003 Cohort</b>				
<i>Repayment Status as of the Cut-Off Date</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Made repayment in 2015/2016 receipts period	283,766,439	48.5%	40,355	55.4%
No repayment made in 2015/2016 receipts period	301,115,541	51.5%	32,518	44.6%
	584,881,980	100.0%	72,873	100.0%

<b>2004 Cohort</b>				
<i>Repayment Status as of the Cut-Off Date</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Made repayment in 2015/2016 receipts period	424,203,496	52.9%	54,896	59.6%
No repayment made in 2015/2016 receipts period	377,068,367	47.1%	37,147	40.4%
	801,271,862	100.0%	92,043	100.0%

<b>2005 Cohort</b>				
<i>Repayment Status as of the Cut-Off Date</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Made repayment in 2015/2016 receipts period	535,418,864	56.2%	66,330	62.9%
No repayment made in 2015/2016 receipts period	417,552,406	43.8%	39,194	37.1%
	952,971,270	100.0%	105,524	100.0%

<sup>14</sup> Reference to 'Made repayment in 2015/16 receipts period' refers to Borrowers who have made a repayment in the 2015/16 receipts period (i.e. with a non-zero amount in the last repayment amount field); and vice versa for 'No repayment made in 2015/16 receipts period'.



<b>2006 Cohort</b>				
<b>Repayment Status as of the Cut-Off Date</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Made repayment in 2015/2016 receipts period	657,913,985	59.5%	78,853	65.5%
No repayment made in 2015/2016 receipts period	447,659,239	40.5%	41,587	34.5%
	<b>1,105,573,224</b>	<b>100.0%</b>	<b>120,440</b>	<b>100.0%</b>

### 3.7 Repayment Status (Overseas and Non-Overseas)

<b>Full pool Cohort</b>				
<b>Repayment Status (Overseas and Non-Overseas)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK repaying - earnings equal to the repayment threshold or above	1,464,383,608	39.3%	198,102	45.9%
UK repaying - earnings below the repayment threshold (and above £0)	483,900,290	13.0%	54,202	12.5%
UK repaying - no earnings reported to SLC	14,691,503	0.4%	1,965	0.5%
UK not repaying - earnings equal to the repayment threshold or above	71,135,618	1.9%	7,702	1.8%
UK not repaying - earnings below the repayment threshold (and above £0)	929,607,653	24.9%	94,032	21.8%
UK not repaying - no earnings reported to SLC	622,811,626	16.7%	62,244	14.4%
Overseas repaying	57,951,496	1.6%	6,253	1.4%
Overseas not repaying	82,035,093	2.2%	7,525	1.7%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<b>2002 Cohort</b>				
<b>Repayment Status (Overseas and Non-Overseas)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK repaying - earnings equal to the repayment threshold or above	78,786,314	28.0%	14,121	34.3%
UK repaying - earnings below the repayment threshold (and above £0)	36,652,467	13.0%	5,367	13.0%
UK repaying - no earnings reported to SLC	940,516	0.3%	179	0.4%
UK not repaying - earnings equal to the repayment threshold or above	5,607,032	2.0%	801	1.9%
UK not repaying - earnings below the repayment threshold (and above £0)	87,842,139	31.2%	11,446	27.8%
UK not repaying - no earnings reported to SLC	61,194,135	21.7%	7,942	19.3%
Overseas repaying	3,244,817	1.2%	421	1.0%
Overseas not repaying	7,551,133	2.7%	868	2.1%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<b>Repayment Status (Overseas and Non-Overseas)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK repaying - earnings equal to the repayment threshold or above	199,350,972	34.1%	29,953	41.1%
UK repaying - earnings below the repayment threshold (and above £0)	73,844,871	12.6%	9,106	12.5%
UK repaying - no earnings reported to SLC	2,143,658	0.4%	329	0.5%
UK not repaying - earnings equal to the repayment threshold or above	11,232,603	1.9%	1,351	1.9%
UK not repaying - earnings below the repayment threshold (and above £0)	163,113,290	27.9%	17,734	24.3%
UK not repaying - no earnings reported to SLC	112,155,984	19.2%	12,013	16.5%
Overseas repaying	8,426,939	1.4%	967	1.3%
Overseas not repaying	14,613,663	2.5%	1,420	1.9%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

**2004 Cohort**

<i>Repayment Status (Overseas and Non-Overseas)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
UK repaying - earnings equal to the repayment threshold or above	304,687,699	38.0%	41,597	45.2%
UK repaying - earnings below the repayment threshold (and above £0)	104,087,562	13.0%	11,549	12.5%
UK repaying - no earnings reported to SLC	3,090,082	0.4%	410	0.4%
UK not repaying - earnings equal to the repayment threshold or above	15,444,814	1.9%	1,659	1.8%
UK not repaying - earnings below the repayment threshold (and above £0)	205,633,334	25.7%	20,391	22.2%
UK not repaying - no earnings reported to SLC	137,312,286	17.1%	13,410	14.6%
Overseas repaying	12,338,152	1.5%	1,340	1.5%
Overseas not repaying	18,677,933	2.3%	1,687	1.8%
	801,271,862	100.0%	92,043	100.0%

**2005 Cohort**

<i>Repayment Status (Overseas and Non-Overseas)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
UK repaying - earnings equal to the repayment threshold or above	392,778,422	41.2%	51,119	48.4%
UK repaying - earnings below the repayment threshold (and above £0)	123,583,389	13.0%	13,124	12.4%
UK repaying - no earnings reported to SLC	3,986,778	0.4%	503	0.5%
UK not repaying - earnings equal to the repayment threshold or above	18,404,975	1.9%	1,877	1.8%
UK not repaying - earnings below the repayment threshold (and above £0)	225,305,507	23.6%	21,330	20.2%
UK not repaying - no earnings reported to SLC	154,583,384	16.2%	14,303	13.6%
Overseas repaying	15,070,274	1.6%	1,584	1.5%
Overseas not repaying	19,258,540	2.0%	1,684	1.6%
	952,971,270	100.0%	105,524	100.0%

**2006 Cohort**

<i>Repayment Status (Overseas and Non-Overseas)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
UK repaying - earnings equal to the repayment threshold or above	488,780,201	44.2%	61,312	50.9%
UK repaying - earnings below the repayment threshold (and above £0)	145,732,001	13.2%	15,056	12.5%
UK repaying - no earnings reported to SLC	4,530,469	0.4%	544	0.5%
UK not repaying - earnings equal to the repayment threshold or above	20,446,195	1.8%	2,014	1.7%
UK not repaying - earnings below the repayment threshold (and above £0)	247,713,383	22.4%	23,131	19.2%
UK not repaying - no earnings reported to SLC	157,565,837	14.3%	14,576	12.1%
Overseas repaying	18,871,314	1.7%	1,941	1.6%
Overseas not repaying	21,933,824	2.0%	1,866	1.5%
	1,105,573,224	100.0%	120,440	100.0%

3.8 **First Repayment Status (number of years after SRDD date when the first repayment was made)**<sup>15 16</sup>

<b>Full Pool</b>				
<i>First Repayment (number of years after SRDD date when the first repayment was made)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
On SRDD or earlier than SRDD	1,567,479,073	42.1%	194,960	45.1%
> 0 and <= 1 years	544,335,439	14.6%	65,775	15.2%
> 1 and <= 2 years	330,490,758	8.9%	38,573	8.9%
> 2 and <= 3 years	228,013,295	6.1%	25,950	6.0%
> 3 and <= 4 years	184,378,590	4.9%	20,465	4.7%
> 4 and <= 5 years	140,227,736	3.8%	15,257	3.5%
> 5 years	338,718,780	9.1%	34,889	8.1%
Never Repaid	392,873,216	10.5%	36,156	8.4%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<b>2002 Cohort</b>				
<i>First Repayment (number of years after SRDD date when the first repayment was made)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
On SRDD or earlier than SRDD	103,215,922	36.6%	16,437	39.9%
> 0 and <= 1 years	49,458,133	17.5%	7,401	18.0%
> 1 and <= 2 years	26,609,991	9.4%	3,886	9.4%
> 2 and <= 3 years	13,314,047	4.7%	1,996	4.9%
> 3 and <= 4 years	9,773,233	3.5%	1,415	3.4%
> 4 and <= 5 years	8,875,879	3.1%	1,268	3.1%
> 5 years	35,858,600	12.7%	4,822	11.7%
Never Repaid	34,712,746	12.3%	3,920	9.5%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<i>First Repayment (number of years after SRDD date when the first repayment was made)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
On SRDD or earlier than SRDD	261,625,542	44.7%	34,839	47.8%
> 0 and <= 1 years	84,320,583	14.4%	10,684	14.7%
> 1 and <= 2 years	38,727,297	6.6%	4,948	6.8%
> 2 and <= 3 years	27,422,858	4.7%	3,522	4.8%
> 3 and <= 4 years	23,927,182	4.1%	2,967	4.1%
> 4 and <= 5 years	17,873,971	3.1%	2,147	2.9%
> 5 years	70,259,811	12.0%	7,866	10.8%
Never Repaid	60,724,735	10.4%	5,900	8.1%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<sup>15</sup> 'First Repayment' (number of years after SRDD date when the first repayment was made) shows the number of years between SRDD date and when the first repayment was made. This is calculated by taking the difference between the SRDD year and the earliest first repayment date year (tax year) of all loans of a borrower (this can include closed loans). If a borrower has multiple SRDD across the loans, the latest SRDD has been used. Note IR does not consider first repayment years earlier than 2002.

<sup>16</sup> 'On SRDD or earlier than SRDD' means that the first repayment date of a borrower is on or before the latest SRDD date of the borrower. Borrowers can have multiple SRDDs across multiple loans. The calculation in the analysis is based on the latest SRDD however SLC starts collecting repayments once a loan has passed the SRDD date, so a borrower can start repaying before their latest SRDD date.

2004 Cohort				
<i>First Repayment (number of years after SRDD date when the first repayment was made)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
On SRDD or earlier than SRDD	385,838,749	48.2%	47,125	51.2%
> 0 and <= 1 years	87,308,300	10.9%	10,503	11.4%
> 1 and <= 2 years	57,832,857	7.2%	6,883	7.5%
> 2 and <= 3 years	47,314,836	5.9%	5,433	5.9%
> 3 and <= 4 years	32,694,963	4.1%	3,689	4.0%
> 4 and <= 5 years	31,250,100	3.9%	3,412	3.7%
> 5 years	79,096,800	9.9%	7,881	8.6%
Never Repaid	79,935,258	10.0%	7,117	7.7%
	801,271,862	100.0%	92,043	100.0%

2005 Cohort				
<i>First Repayment (number of years after SRDD date when the first repayment was made)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
On SRDD or earlier than SRDD	368,150,511	38.6%	43,915	41.6%
> 0 and <= 1 years	140,393,758	14.7%	16,557	15.7%
> 1 and <= 2 years	100,976,557	10.6%	11,388	10.8%
> 2 and <= 3 years	64,975,393	6.8%	7,043	6.7%
> 3 and <= 4 years	50,911,998	5.3%	5,408	5.1%
> 4 and <= 5 years	46,064,747	4.8%	4,836	4.6%
> 5 years	79,375,494	8.3%	7,492	7.1%
Never Repaid	102,122,811	10.7%	8,885	8.4%
	952,971,270	100.0%	105,524	100.0%

2006 Cohort				
<i>First Repayment (number of years after SRDD date when the first repayment was made)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
On SRDD or earlier than SRDD	448,648,349	40.6%	52,644	43.7%
> 0 and <= 1 years	182,854,665	16.5%	20,630	17.1%
> 1 and <= 2 years	106,344,056	9.6%	11,468	9.5%
> 2 and <= 3 years	74,986,161	6.8%	7,956	6.6%
> 3 and <= 4 years	67,071,213	6.1%	6,986	5.8%
> 4 and <= 5 years	36,163,038	3.3%	3,594	3.0%
> 5 years	74,128,075	6.7%	6,828	5.7%
Never Repaid	115,377,666	10.4%	10,334	8.6%
	1,105,573,224	100.0%	120,440	100.0%

### 3.9 Tax Years since last repayment<sup>17</sup>

Full Pool				
<i>Tax Year since Last Repayment</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
> 0 and <= 1 years	2,274,635,741	61.0%	288,963	66.9%
> 1 and <= 2 years	181,582,969	4.9%	19,694	4.6%
> 2 and <= 3 years	153,247,844	4.1%	16,218	3.8%
> 3 and <= 5 years	256,858,739	6.9%	26,121	6.0%
> 5 and <= 10 years	384,073,291	10.3%	36,754	8.5%
> 10 years	83,245,086	2.2%	8,119	1.9%
Never repaid	392,873,216	10.5%	36,156	8.4%
	3,726,516,887	100.0%	432,025	100.0%

<sup>17</sup> 'Tax year since last repayment' is the difference between the date on which a borrower last made a repayment and 31st March 2016. For borrowers with loans with different last repayment dates, the latest last repayment date has been used in the analysis. Borrowers with no entry for the last repayment (i.e. never repaid since the loans were paid out) date fall into 'never repaid' category.

<b>2002 Cohort</b>				
<b>Tax Year since Last Repayment</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
> 0 and <= 1 years	137,466,607	48.8%	22,755	55.3%
> 1 and <= 2 years	13,692,405	4.9%	1,955	4.8%
> 2 and <= 3 years	12,005,102	4.3%	1,732	4.2%
> 3 and <= 5 years	21,843,625	7.8%	3,035	7.4%
> 5 and <= 10 years	38,689,756	13.7%	5,016	12.2%
> 10 years	23,408,310	8.3%	2,732	6.6%
Never repaid	34,712,746	12.3%	3,920	9.5%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<b>Tax Year since Last Repayment</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
> 0 and <= 1 years	322,637,994	55.2%	45,161	62.0%
> 1 and <= 2 years	29,176,121	5.0%	3,516	4.8%
> 2 and <= 3 years	25,133,008	4.3%	2,910	4.0%
> 3 and <= 5 years	42,718,705	7.3%	4,818	6.6%
> 5 and <= 10 years	74,391,602	12.7%	7,700	10.6%
> 10 years	30,099,815	5.1%	2,868	3.9%
Never repaid	60,724,735	10.4%	5,900	8.1%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<b>2004 Cohort</b>				
<b>Tax Year since Last Repayment</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
> 0 and <= 1 years	478,343,821	59.7%	61,031	66.3%
> 1 and <= 2 years	40,129,709	5.0%	4,338	4.7%
> 2 and <= 3 years	32,444,093	4.0%	3,426	3.7%
> 3 and <= 5 years	56,787,047	7.1%	5,686	6.2%
> 5 and <= 10 years	90,892,804	11.3%	8,446	9.2%
> 10 years	22,739,128	2.8%	1,999	2.2%
Never repaid	79,935,258	10.0%	7,117	7.7%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

<b>2005 Cohort</b>				
<b>Tax Year since Last Repayment</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
> 0 and <= 1 years	600,888,601	63.1%	73,234	69.4%
> 1 and <= 2 years	46,526,397	4.9%	4,766	4.5%
> 2 and <= 3 years	38,867,875	4.1%	3,808	3.6%
> 3 and <= 5 years	65,131,635	6.8%	6,156	5.8%
> 5 and <= 10 years	95,240,096	10.0%	8,354	7.9%
> 10 years	4,193,855	0.4%	321	0.3%
Never repaid	102,122,811	10.7%	8,885	8.4%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>

<b>2006 Cohort</b>				
<b>Tax Year since Last Repayment</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
> 0 and <= 1 years	735,298,717	66.5%	86,782	72.1%
> 1 and <= 2 years	52,058,337	4.7%	5,119	4.3%
> 2 and <= 3 years	44,797,767	4.1%	4,342	3.6%
> 3 and <= 5 years	70,377,726	6.4%	6,426	5.3%
> 5 and <= 10 years	84,859,033	7.7%	7,238	6.0%
> 10 years	2,803,977	0.3%	199	0.2%
Never repaid	115,377,666	10.4%	10,334	8.6%
	<b>1,105,573,224</b>	<b>100.0%</b>	<b>120,440</b>	<b>100.0%</b>

### 3.10 Last repayment amount

<b>Full Pool</b>				
<b>Last Repayment Amount</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £1,000	3,106,161,532	83.4%	334,859	77.5%
>= £1,000 and < £2,000	485,849,927	13.0%	74,274	17.2%
>= £2,000 and < £3,000	110,280,792	3.0%	18,922	4.4%
>= £3,000	24,224,636	0.7%	3,970	0.9%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<b>2002 Cohort</b>				
<b>Last Repayment Amount</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £1,000	258,934,496	91.9%	36,297	88.2%
>= £1,000 and < £2,000	19,589,656	7.0%	4,125	10.0%
>= £2,000 and < £3,000	2,808,850	1.0%	632	1.5%
>= £3,000	485,549	0.2%	91	0.2%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<b>Last Repayment Amount</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £1,000	510,432,538	87.3%	59,701	81.9%
>= £1,000 and < £2,000	60,717,642	10.4%	10,578	14.5%
>= £2,000 and < £3,000	11,489,209	2.0%	2,184	3.0%
>= £3,000	2,242,591	0.4%	410	0.6%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<b>2004 Cohort</b>				
<b>Last Repayment Amount</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £1,000	677,027,006	84.5%	72,028	78.3%
>= £1,000 and < £2,000	98,327,384	12.3%	15,452	16.8%
>= £2,000 and < £3,000	21,502,850	2.7%	3,804	4.1%
>= £3,000	4,414,623	0.6%	759	0.8%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

<b>2005 Cohort</b>				
<i>Last Repayment Amount</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £1,000	777,992,805	81.6%	79,113	75.0%
>= £1,000 and < £2,000	135,628,325	14.2%	19,891	18.8%
>= £2,000 and < £3,000	31,954,876	3.4%	5,338	5.1%
>= £3,000	7,395,265	0.8%	1,182	1.1%
	952,971,270	100.0%	105,524	100.0%

<b>2006 Cohort</b>				
<i>Last Repayment Amount</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £1,000	881,774,688	79.8%	87,720	72.8%
>= £1,000 and < £2,000	171,586,920	15.5%	24,228	20.1%
>= £2,000 and < £3,000	42,525,008	3.8%	6,964	5.8%
>= £3,000	9,686,608	0.9%	1,528	1.3%
	1,105,573,224	100.0%	120,440	100.0%

### 3.11 Gender

<b>Full Pool</b>				
<i>Gender</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Male	1,579,126,476	42.4%	182,858	42.3%
Female	2,147,390,411	57.6%	249,167	57.7%
	3,726,516,887	100.0%	432,025	100.0%

<b>2002 Cohort</b>				
<i>Gender</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Male	113,626,867	40.3%	16,692	40.6%
Female	168,191,684	59.7%	24,453	59.4%
	281,818,552	100.0%	41,145	100.0%

<b>2003 Cohort</b>				
<i>Gender</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Male	239,447,700	40.9%	30,264	41.5%
Female	345,434,280	59.1%	42,609	58.5%
	584,881,980	100.0%	72,873	100.0%

<b>2004 Cohort</b>				
<i>Gender</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Male	335,829,322	41.9%	38,690	42.0%
Female	465,442,541	58.1%	53,353	58.0%
	801,271,862	100.0%	92,043	100.0%

<b>2005 Cohort</b>				
<i>Gender</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Male	409,104,462	42.9%	45,179	42.8%
Female	543,866,808	57.1%	60,345	57.2%
	952,971,270	100.0%	105,524	100.0%

2006 Cohort				
<i>Gender</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Male	481,118,126	43.5%	52,033	43.2%
Female	624,455,098	56.5%	68,407	56.8%
	1,105,573,224	100.0%	120,440	100.0%

### 3.12 Income Bracket per Borrower gender

Full Pool				
<i>Female Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	883,723,160	41.2%	90,372	36.3%
>= £10,000 and < £13,000	191,125,561	8.9%	20,728	8.3%
>= £13,000 and < £17,775	286,628,007	13.3%	31,947	12.8%
>= £17,775 and < £20,000	129,285,624	6.0%	14,827	6.0%
>= £20,000 and < £22,000	109,119,579	5.1%	12,952	5.2%
>= £22,000 and < £25,000	133,677,209	6.2%	16,376	6.6%
>= £25,000 and < £28,000	111,745,588	5.2%	14,605	5.9%
>= £28,000 and < £32,000	116,908,890	5.4%	16,886	6.8%
>= £32,000 and < £36,000	80,748,396	3.8%	12,771	5.1%
>= £36,000	104,428,397	4.9%	17,703	7.1%
	2,147,390,411	100.0%	249,167	100.0%
<i>Male Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	558,530,981	35.4%	55,356	30.3%
>= £10,000 and < £13,000	95,213,757	6.0%	9,619	5.3%
>= £13,000 and < £17,775	171,528,472	10.9%	17,686	9.7%
>= £17,775 and < £20,000	96,914,193	6.1%	10,429	5.7%
>= £20,000 and < £22,000	86,519,305	5.5%	9,811	5.4%
>= £22,000 and < £25,000	119,731,444	7.6%	14,297	7.8%
>= £25,000 and < £28,000	105,048,934	6.7%	13,427	7.3%
>= £28,000 and < £32,000	122,272,761	7.7%	16,857	9.2%
>= £32,000 and < £36,000	87,649,086	5.6%	13,403	7.3%
>= £36,000	135,717,543	8.6%	21,973	12.0%
	1,579,126,476	100.0%	182,858	100.0%



**2002 Cohort**

<i>Female Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	83,154,287	49.4%	10,906	44.6%
>= £10,000 and < £13,000	17,446,672	10.4%	2,359	9.6%
>= £13,000 and < £17,775	23,789,759	14.1%	3,393	13.9%
>= £17,775 and < £20,000	9,395,795	5.6%	1,440	5.9%
>= £20,000 and < £22,000	8,052,301	4.8%	1,282	5.2%
>= £22,000 and < £25,000	8,232,805	4.9%	1,405	5.7%
>= £25,000 and < £28,000	6,157,109	3.7%	1,144	4.7%
>= £28,000 and < £32,000	5,624,480	3.3%	1,152	4.7%
>= £32,000 and < £36,000	3,075,159	1.8%	688	2.8%
>= £36,000	3,263,316	1.9%	684	2.8%
	168,191,684	100.0%	24,453	100.0%

<i>Male Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	50,244,790	44.2%	6,489	38.9%
>= £10,000 and < £13,000	8,088,684	7.1%	1,063	6.4%
>= £13,000 and < £17,775	14,528,079	12.8%	1,985	11.9%
>= £17,775 and < £20,000	7,432,245	6.5%	1,090	6.5%
>= £20,000 and < £22,000	6,157,717	5.4%	949	5.7%
>= £22,000 and < £25,000	7,728,727	6.8%	1,333	8.0%
>= £25,000 and < £28,000	6,425,491	5.7%	1,132	6.8%
>= £28,000 and < £32,000	5,856,900	5.2%	1,154	6.9%
>= £32,000 and < £36,000	3,478,391	3.1%	727	4.4%
>= £36,000	3,685,843	3.2%	770	4.6%
	113,626,867	100.0%	16,692	100.0%

**2003 Cohort**

<i>Female Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	157,556,074	45.6%	17,062	40.0%
>= £10,000 and < £13,000	31,940,238	9.2%	3,744	8.8%
>= £13,000 and < £17,775	46,330,843	13.4%	5,610	13.2%
>= £17,775 and < £20,000	20,188,100	5.8%	2,552	6.0%
>= £20,000 and < £22,000	16,840,538	4.9%	2,179	5.1%
>= £22,000 and < £25,000	19,933,361	5.8%	2,704	6.3%
>= £25,000 and < £28,000	15,733,752	4.6%	2,295	5.4%
>= £28,000 and < £32,000	15,278,862	4.4%	2,539	6.0%
>= £32,000 and < £36,000	9,641,733	2.8%	1,739	4.1%
>= £36,000	11,990,780	3.5%	2,185	5.1%
	345,434,280	100.0%	42,609	100.0%

<i>Male Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	95,829,183	40.0%	10,297	34.0%
>= £10,000 and < £13,000	15,408,612	6.4%	1,737	5.7%
>= £13,000 and < £17,775	26,730,658	11.2%	3,054	10.1%
>= £17,775 and < £20,000	15,095,313	6.3%	1,844	6.1%
>= £20,000 and < £22,000	12,518,189	5.2%	1,598	5.3%
>= £22,000 and < £25,000	17,399,888	7.3%	2,363	7.8%
>= £25,000 and < £28,000	14,624,301	6.1%	2,181	7.2%
>= £28,000 and < £32,000	16,773,284	7.0%	2,656	8.8%
>= £32,000 and < £36,000	11,104,074	4.6%	1,996	6.6%
>= £36,000	13,964,197	5.8%	2,538	8.4%
	239,447,700	100.0%	30,264	100.0%

**2004 Cohort**

<i>Female Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	194,940,478	41.9%	19,513	36.6%
>= £10,000 and < £13,000	41,358,366	8.9%	4,410	8.3%
>= £13,000 and < £17,775	63,746,188	13.7%	7,013	13.1%
>= £17,775 and < £20,000	28,095,835	6.0%	3,199	6.0%
>= £20,000 and < £22,000	23,773,606	5.1%	2,835	5.3%
>= £22,000 and < £25,000	29,206,781	6.3%	3,549	6.7%
>= £25,000 and < £28,000	23,055,860	5.0%	3,037	5.7%
>= £28,000 and < £32,000	23,953,012	5.1%	3,524	6.6%
>= £32,000 and < £36,000	16,418,560	3.5%	2,648	5.0%
>= £36,000	20,893,855	4.5%	3,625	6.8%
	465,442,541	100.0%	53,353	100.0%

<i>Male Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	122,662,983	36.5%	11,980	31.0%
>= £10,000 and < £13,000	20,920,491	6.2%	2,042	5.3%
>= £13,000 and < £17,775	36,695,230	10.9%	3,733	9.6%
>= £17,775 and < £20,000	20,661,806	6.2%	2,179	5.6%
>= £20,000 and < £22,000	18,685,039	5.6%	2,130	5.5%
>= £22,000 and < £25,000	25,814,866	7.7%	3,073	7.9%
>= £25,000 and < £28,000	21,435,125	6.4%	2,816	7.3%
>= £28,000 and < £32,000	25,547,105	7.6%	3,630	9.4%
>= £32,000 and < £36,000	17,194,398	5.1%	2,727	7.0%
>= £36,000	26,212,279	7.8%	4,380	11.3%
	335,829,322	100.0%	38,690	100.0%

**2005 Cohort**

<i>Female Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	217,059,457	39.9%	20,819	34.5%
>= £10,000 and < £13,000	47,570,620	8.7%	4,910	8.1%
>= £13,000 and < £17,775	71,485,030	13.1%	7,504	12.4%
>= £17,775 and < £20,000	32,828,071	6.0%	3,594	6.0%
>= £20,000 and < £22,000	27,007,565	5.0%	3,074	5.1%
>= £22,000 and < £25,000	35,282,246	6.5%	4,115	6.8%
>= £25,000 and < £28,000	29,070,454	5.3%	3,644	6.0%
>= £28,000 and < £32,000	32,063,031	5.9%	4,449	7.4%
>= £32,000 and < £36,000	22,708,569	4.2%	3,415	5.7%
>= £36,000	28,791,767	5.3%	4,821	8.0%
	543,866,808	100.0%	60,345	100.0%

<i>Male Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
< £10,000	137,743,566	33.7%	12,804	28.3%
>= £10,000 and < £13,000	23,876,508	5.8%	2,258	5.0%
>= £13,000 and < £17,775	42,951,849	10.5%	4,102	9.1%
>= £17,775 and < £20,000	24,879,614	6.1%	2,475	5.5%
>= £20,000 and < £22,000	22,560,547	5.5%	2,428	5.4%
>= £22,000 and < £25,000	30,635,877	7.5%	3,462	7.7%
>= £25,000 and < £28,000	27,866,065	6.8%	3,346	7.4%
>= £28,000 and < £32,000	33,559,543	8.2%	4,322	9.6%
>= £32,000 and < £36,000	24,787,958	6.1%	3,627	8.0%
>= £36,000	40,242,934	9.8%	6,355	14.1%
	409,104,462	100.0%	45,179	100.0%

2006 Cohort				
<b>Female Borrowers</b>				
	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	231,012,865	37.0%	22,072	32.3%
>= £10,000 and < £13,000	52,809,666	8.5%	5,305	7.8%
>= £13,000 and < £17,775	81,276,187	13.0%	8,427	12.3%
>= £17,775 and < £20,000	38,777,823	6.2%	4,042	5.9%
>= £20,000 and < £22,000	33,445,569	5.4%	3,582	5.2%
>= £22,000 and < £25,000	41,022,016	6.6%	4,603	6.7%
>= £25,000 and < £28,000	37,728,413	6.0%	4,485	6.6%
>= £28,000 and < £32,000	39,989,505	6.4%	5,222	7.6%
>= £32,000 and < £36,000	28,904,375	4.6%	4,281	6.3%
>= £36,000	39,488,679	6.3%	6,388	9.3%
	624,455,098	100.0%	68,407	100.0%
<b>Male Borrowers</b>				
	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	152,050,460	31.6%	13,786	26.5%
>= £10,000 and < £13,000	26,919,462	5.6%	2,519	4.8%
>= £13,000 and < £17,775	50,622,656	10.5%	4,812	9.2%
>= £17,775 and < £20,000	28,845,216	6.0%	2,841	5.5%
>= £20,000 and < £22,000	26,597,813	5.5%	2,706	5.2%
>= £22,000 and < £25,000	38,152,086	7.9%	4,066	7.8%
>= £25,000 and < £28,000	34,697,952	7.2%	3,952	7.6%
>= £28,000 and < £32,000	40,535,928	8.4%	5,095	9.8%
>= £32,000 and < £36,000	31,084,263	6.5%	4,326	8.3%
>= £36,000	51,612,290	10.7%	7,930	15.2%
	481,118,126	100.0%	52,033	100.0%

### 3.13 Income Bracket (for Borrowers who made a repayment in last Accounts Period)

Full Pool				
<b>Income Bracket (for borrowers who made a repayment in last receipts period)</b>				
<b>Female Borrowers</b>				
	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	96,148,011	8.8%	10,929	7.7%
>= £10,000 and < £13,000	61,807,920	5.7%	7,190	5.1%
>= £13,000 and < £17,775	183,146,441	16.7%	21,173	14.9%
>= £17,775 and < £20,000	118,643,387	10.8%	13,717	9.7%
>= £20,000 and < £22,000	103,368,515	9.5%	12,358	8.7%
>= £22,000 and < £25,000	127,997,253	11.7%	15,777	11.1%
>= £25,000 and < £28,000	108,639,776	9.9%	14,259	10.1%
>= £28,000 and < £32,000	114,281,800	10.4%	16,578	11.7%
>= £32,000 and < £36,000	79,090,271	7.2%	12,582	8.9%
>= £36,000	100,562,873	9.2%	17,252	12.2%
	1,093,686,249	100.0%	141,815	100.0%
<b>Male Borrowers</b>				
	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	79,178,044	8.5%	8,599	7.2%
>= £10,000 and < £13,000	30,081,773	3.2%	3,204	2.7%
>= £13,000 and < £17,775	102,115,244	11.0%	10,827	9.1%
>= £17,775 and < £20,000	86,128,209	9.3%	9,333	7.9%
>= £20,000 and < £22,000	80,409,695	8.7%	9,178	7.7%
>= £22,000 and < £25,000	113,807,767	12.3%	13,639	11.5%
>= £25,000 and < £28,000	101,007,325	10.9%	12,979	10.9%
>= £28,000 and < £32,000	118,866,157	12.8%	16,475	13.9%
>= £32,000 and < £36,000	85,217,958	9.2%	13,138	11.1%
>= £36,000	130,428,477	14.1%	21,335	18.0%
	927,240,649	100.0%	118,707	100.0%

2002 Cohort

*Income Bracket (for borrowers who made a repayment in last receipts period)*

<b>Female Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	6,471,619	9.8%	975	8.8%
>= £10,000 and < £13,000	4,398,898	6.7%	657	5.9%
>= £13,000 and < £17,495	13,959,529	21.2%	2,061	18.6%
>= £17,495 and < £20,000	8,461,417	12.9%	1,309	11.8%
>= £20,000 and < £22,000	7,604,476	11.6%	1,222	11.0%
>= £22,000 and < £25,000	7,730,010	11.8%	1,332	12.0%
>= £25,000 and < £28,000	5,912,056	9.0%	1,103	9.9%
>= £28,000 and < £32,000	5,401,450	8.2%	1,120	10.1%
>= £32,000 and < £36,000	2,933,487	4.5%	671	6.1%
>= £36,000	2,907,853	4.4%	638	5.8%
	65,780,795	100.0%	11,088	100.0%

<b>Male Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	5,372,558	10.0%	746	8.3%
>= £10,000 and < £13,000	2,154,921	4.0%	319	3.5%
>= £13,000 and < £17,495	8,317,695	15.4%	1,182	13.1%
>= £17,495 and < £20,000	6,612,417	12.3%	982	10.9%
>= £20,000 and < £22,000	5,643,035	10.5%	881	9.8%
>= £22,000 and < £25,000	7,212,228	13.4%	1,254	13.9%
>= £25,000 and < £28,000	6,090,195	11.3%	1,083	12.0%
>= £28,000 and < £32,000	5,689,548	10.6%	1,125	12.5%
>= £32,000 and < £36,000	3,365,612	6.3%	707	7.9%
>= £36,000	3,385,109	6.3%	721	8.0%
	53,843,319	100.0%	9,000	100.0%

2003 Cohort

*Income Bracket (for borrowers who made a repayment in last receipts period)*

<b>Female Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	14,859,034	9.5%	1,827	8.2%
>= £10,000 and < £13,000	9,036,150	5.8%	1,172	5.3%
>= £13,000 and < £17,495	28,986,493	18.5%	3,634	16.4%
>= £17,495 and < £20,000	18,489,482	11.8%	2,357	10.6%
>= £20,000 and < £22,000	15,849,673	10.1%	2,071	9.3%
>= £22,000 and < £25,000	19,104,903	12.2%	2,603	11.7%
>= £25,000 and < £28,000	15,186,496	9.7%	2,233	10.1%
>= £28,000 and < £32,000	14,691,531	9.4%	2,467	11.1%
>= £32,000 and < £36,000	9,459,567	6.0%	1,714	7.7%
>= £36,000	11,248,113	7.2%	2,094	9.4%
	156,911,443	100.0%	22,172	100.0%

<b>Male Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	11,498,179	9.1%	1,375	7.6%
>= £10,000 and < £13,000	4,225,045	3.3%	515	2.8%
>= £13,000 and < £17,495	15,341,906	12.1%	1,816	10.0%
>= £17,495 and < £20,000	13,322,135	10.5%	1,635	9.0%
>= £20,000 and < £22,000	11,576,587	9.1%	1,499	8.2%
>= £22,000 and < £25,000	16,544,578	13.0%	2,257	12.4%
>= £25,000 and < £28,000	14,123,151	11.1%	2,116	11.6%
>= £28,000 and < £32,000	16,219,517	12.8%	2,586	14.2%
>= £32,000 and < £36,000	10,659,604	8.4%	1,938	10.7%
>= £36,000	13,344,294	10.5%	2,446	13.5%
	126,854,996	100.0%	18,183	100.0%

2004 Cohort

*Income Bracket (for borrowers who made a repayment in last receipts period)*

<b>Female Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	20,446,769	8.8%	2,306	7.7%
>= £10,000 and < £13,000	13,098,369	5.7%	1,525	5.1%
>= £13,000 and < £17,495	40,097,949	17.3%	4,578	15.2%
>= £17,495 and < £20,000	25,856,665	11.2%	2,970	9.9%
>= £20,000 and < £22,000	22,573,125	9.7%	2,699	9.0%
>= £22,000 and < £25,000	27,834,443	12.0%	3,411	11.4%
>= £25,000 and < £28,000	22,332,702	9.6%	2,958	9.8%
>= £28,000 and < £32,000	23,448,237	10.1%	3,465	11.5%
>= £32,000 and < £36,000	16,029,090	6.9%	2,612	8.7%
>= £36,000	20,063,162	8.7%	3,523	11.7%
	231,780,510	100.0%	30,047	100.0%

<b>Male Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	16,782,469	8.7%	1,836	7.4%
>= £10,000 and < £13,000	6,803,546	3.5%	708	2.8%
>= £13,000 and < £17,495	21,514,257	11.2%	2,254	9.1%
>= £17,495 and < £20,000	18,289,381	9.5%	1,945	7.8%
>= £20,000 and < £22,000	17,326,223	9.0%	1,989	8.0%
>= £22,000 and < £25,000	24,543,568	12.8%	2,937	11.8%
>= £25,000 and < £28,000	20,687,382	10.8%	2,734	11.0%
>= £28,000 and < £32,000	24,806,465	12.9%	3,545	14.3%
>= £32,000 and < £36,000	16,707,458	8.7%	2,673	10.8%
>= £36,000	24,962,237	13.0%	4,228	17.0%
	192,422,986	100.0%	24,849	100.0%

2005 Cohort

*Income Bracket (for borrowers who made a repayment in last receipts period)*

<b>Female Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	24,148,247	8.4%	2,655	7.4%
>= £10,000 and < £13,000	16,513,886	5.8%	1,839	5.1%
>= £13,000 and < £17,495	46,342,339	16.2%	5,106	14.2%
>= £17,495 and < £20,000	30,042,921	10.5%	3,317	9.3%
>= £20,000 and < £22,000	25,479,602	8.9%	2,934	8.2%
>= £22,000 and < £25,000	33,734,781	11.8%	3,969	11.1%
>= £25,000 and < £28,000	28,342,851	9.9%	3,563	9.9%
>= £28,000 and < £32,000	31,320,487	10.9%	4,369	12.2%
>= £32,000 and < £36,000	22,311,469	7.8%	3,367	9.4%
>= £36,000	27,887,829	9.7%	4,719	13.2%
	286,124,411	100.0%	35,838	100.0%

<b>Male Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	20,634,678	8.3%	2,142	7.0%
>= £10,000 and < £13,000	7,632,071	3.1%	760	2.5%
>= £13,000 and < £17,495	26,325,586	10.6%	2,583	8.5%
>= £17,495 and < £20,000	22,238,994	8.9%	2,222	7.3%
>= £20,000 and < £22,000	21,051,370	8.4%	2,274	7.5%
>= £22,000 and < £25,000	29,129,255	11.7%	3,301	10.8%
>= £25,000 and < £28,000	26,688,126	10.7%	3,224	10.6%
>= £28,000 and < £32,000	32,618,342	13.1%	4,222	13.8%
>= £32,000 and < £36,000	24,229,778	9.7%	3,570	11.7%
>= £36,000	38,746,253	15.5%	6,194	20.3%
	249,294,453	100.0%	30,492	100.0%

**2006 Cohort**

**Income Bracket (for borrowers who made a repayment in last receipts period)**

<b>Female Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	30,222,342	8.6%	3,166	7.4%
>= £10,000 and < £13,000	18,760,617	5.3%	1,997	4.7%
>= £13,000 and < £17,495	53,760,131	15.2%	5,794	13.6%
>= £17,495 and < £20,000	35,792,901	10.1%	3,764	8.8%
>= £20,000 and < £22,000	31,861,641	9.0%	3,432	8.0%
>= £22,000 and < £25,000	39,593,117	11.2%	4,462	10.5%
>= £25,000 and < £28,000	36,865,671	10.4%	4,402	10.3%
>= £28,000 and < £32,000	39,420,096	11.2%	5,157	12.1%
>= £32,000 and < £36,000	28,356,658	8.0%	4,218	9.9%
>= £36,000	38,455,916	10.9%	6,278	14.7%
	<b>353,089,089</b>	<b>100.0%</b>	<b>42,670</b>	<b>100.0%</b>

<b>Male Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £10,000	24,890,160	8.2%	2,500	6.9%
>= £10,000 and < £13,000	9,266,190	3.0%	902	2.5%
>= £13,000 and < £17,495	30,615,801	10.0%	2,992	8.3%
>= £17,495 and < £20,000	25,665,282	8.4%	2,549	7.0%
>= £20,000 and < £22,000	24,812,480	8.1%	2,535	7.0%
>= £22,000 and < £25,000	36,378,138	11.9%	3,890	10.8%
>= £25,000 and < £28,000	33,418,471	11.0%	3,822	10.6%
>= £28,000 and < £32,000	39,532,284	13.0%	4,997	13.8%
>= £32,000 and < £36,000	30,255,506	9.9%	4,250	11.7%
>= £36,000	49,990,584	16.4%	7,746	21.4%
	<b>304,824,895</b>	<b>100.0%</b>	<b>36,183</b>	<b>100.0%</b>

**3.14 Age of Borrower (as at March 2016)**

**Full Pool**

<b>Age of Borrower (as at March 2016)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
<=21 years	0	0.0%	0	0.0%
>21 and <= 25 years	0	0.0%	0	0.0%
>25 and <= 30 years	4,207,612	0.1%	1,519	0.4%
>30 and <= 35 years	1,713,119,858	46.0%	207,668	48.1%
>35 and <= 40 years	1,389,835,011	37.3%	155,894	36.1%
>40 and <= 45 years	235,493,840	6.3%	25,310	5.9%
>45 and <= 50 years	163,794,058	4.4%	17,491	4.0%
>50 and <= 55 years	119,752,888	3.2%	13,003	3.0%
>55 and <= 60 years	71,815,264	1.9%	7,887	1.8%
>60 and <= 65 years	28,498,357	0.8%	3,253	0.8%
>65 years	0	0.0%	0	0.0%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<b>2002 Cohort</b>				
<b>Age of Borrower (as at March 2016)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
<=21 years	0	0.0%	0	0.0%
>21 and <= 25 years	0	0.0%	0	0.0%
>25 and <= 30 years	0	0.0%	0	0.0%
>30 and <= 35 years	8,918,917	3.2%	2,285	5.6%
>35 and <= 40 years	192,652,695	68.4%	28,195	68.5%
>40 and <= 45 years	31,310,196	11.1%	4,265	10.4%
>45 and <= 50 years	20,487,132	7.3%	2,614	6.4%
>50 and <= 55 years	15,018,459	5.3%	1,973	4.8%
>55 and <= 60 years	9,431,931	3.3%	1,253	3.0%
>60 and <= 65 years	3,999,223	1.4%	560	1.4%
>65 years	0	0.0%	0	0.0%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<b>Age of Borrower (as at March 2016)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
<=21 years	0	0.0%	0	0.0%
>21 and <= 25 years	0	0.0%	0	0.0%
>25 and <= 30 years	4,582	0.0%	1	0.0%
>30 and <= 35 years	72,871,275	12.5%	11,547	15.8%
>35 and <= 40 years	387,732,043	66.3%	47,555	65.3%
>40 and <= 45 years	48,823,979	8.3%	5,445	7.5%
>45 and <= 50 years	31,884,828	5.5%	3,481	4.8%
>50 and <= 55 years	23,136,681	4.0%	2,558	3.5%
>55 and <= 60 years	14,431,412	2.5%	1,590	2.2%
>60 and <= 65 years	5,997,180	1.0%	696	1.0%
>65 years	0	0.0%	0	0.0%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<b>2004 Cohort</b>				
<b>Age of Borrower (as at March 2016)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
<=21 years	0	0.0%	0	0.0%
>21 and <= 25 years	0	0.0%	0	0.0%
>25 and <= 30 years	0	0.0%	0	0.0%
>30 and <= 35 years	289,470,939	36.1%	38,171	41.5%
>35 and <= 40 years	371,785,600	46.4%	39,526	42.9%
>40 and <= 45 years	53,893,313	6.7%	5,446	5.9%
>45 and <= 50 years	36,618,703	4.6%	3,701	4.0%
>50 and <= 55 years	27,527,365	3.4%	2,854	3.1%
>55 and <= 60 years	16,142,227	2.0%	1,704	1.9%
>60 and <= 65 years	5,833,716	0.7%	641	0.7%
>65 years	0	0.0%	0	0.0%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

<b>2005 Cohort</b>				
<b>Age of Borrower (as at March 2016)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
<=21 years	0	0.0%	0	0.0%
>21 and <= 25 years	0	0.0%	0	0.0%
>25 and <= 30 years	473,327	0.0%	207	0.2%
>30 and <= 35 years	560,577,567	58.8%	67,125	63.6%
>35 and <= 40 years	253,774,542	26.6%	24,141	22.9%
>40 and <= 45 years	51,008,680	5.4%	5,094	4.8%
>45 and <= 50 years	37,115,671	3.9%	3,788	3.6%
>50 and <= 55 years	27,471,445	2.9%	2,809	2.7%
>55 and <= 60 years	15,967,413	1.7%	1,661	1.6%
>60 and <= 65 years	6,582,626	0.7%	699	0.7%
>65 years	0	0.0%	0	0.0%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>



2006 Cohort				
<i>Age of Borrower (as at March 2016)</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
<=21 years	0	0.0%	0	0.0%
>21 and <= 25 years	0	0.0%	0	0.0%
>25 and <= 30 years	3,729,703	0.3%	1,311	1.1%
>30 and <= 35 years	781,281,162	70.7%	88,540	73.5%
>35 and <= 40 years	183,890,131	16.6%	16,477	13.7%
>40 and <= 45 years	50,457,673	4.6%	5,060	4.2%
>45 and <= 50 years	37,687,724	3.4%	3,907	3.2%
>50 and <= 55 years	26,598,938	2.4%	2,809	2.3%
>55 and <= 60 years	15,842,281	1.4%	1,679	1.4%
>60 and <= 65 years	6,085,612	0.6%	657	0.5%
>65 years	0	0.0%	0	0.0%
	1,105,573,224	100.0%	120,440	100.0%

### 3.15 Region of Residence<sup>18 19</sup>

Full Pool				
<i>Region of Residence</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Greater London	616,376,341	16.5%	67,500	15.6%
North West	535,551,862	14.4%	63,458	14.7%
South East	487,272,964	13.1%	58,374	13.5%
Yorkshire and Humberside	410,981,154	11.0%	49,037	11.4%
South West	401,962,893	10.8%	45,889	10.6%
West Midlands	353,486,151	9.5%	41,889	9.7%
East Anglia	302,976,328	8.1%	35,990	8.3%
East Midlands	253,476,833	6.8%	29,893	6.9%
North East	134,121,088	3.6%	16,475	3.8%
Scotland	32,581,302	0.9%	3,516	0.8%
Wales	32,293,526	0.9%	3,555	0.8%
Northern Ireland	4,115,946	0.1%	436	0.1%
Channel Islands	578,308	0.0%	60	0.0%
Isle of Man	368,481	0.0%	43	0.0%
not available	160,373,711	4.3%	15,910	3.7%
	3,726,516,887	100.0%	432,025	100.0%

2002 Cohort				
<i>Region of Residence</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Greater London	41,031,023	14.6%	5,734	13.9%
North West	39,713,980	14.1%	5,977	14.5%
South East	37,214,115	13.2%	5,489	13.3%
Yorkshire and Humberside	32,713,879	11.6%	4,957	12.0%
South West	33,049,930	11.7%	4,740	11.5%
West Midlands	24,042,472	8.5%	3,714	9.0%
East Anglia	24,784,961	8.8%	3,604	8.8%
East Midlands	19,314,802	6.9%	2,877	7.0%
North East	10,407,813	3.7%	1,590	3.9%
Scotland	2,539,318	0.9%	352	0.9%
Wales	3,015,708	1.1%	418	1.0%
Northern Ireland	359,584	0.1%	54	0.1%
Channel Islands	45,286	0.0%	6	0.0%
Isle of Man	27,555	0.0%	4	0.0%
not available	13,558,126	4.8%	1,629	4.0%
	281,818,552	100.0%	41,145	100.0%

<sup>18</sup> Region of residence information only represents the last known region of residence of borrowers last notified to SLC and may not reflect the latest actual address of a borrower.

<sup>19</sup> 'Not available' means not available. This category includes overseas borrowers who do not have a UK postcode and borrowers with no available information recorded in the SLC system.



<b>2003 Cohort</b>				
<i>Region of Residence</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Greater London	90,009,492	15.4%	10,692	14.7%
North West	82,657,918	14.1%	10,690	14.7%
South East	76,710,975	13.1%	9,707	13.3%
Yorkshire and Humberside	64,801,999	11.1%	8,273	11.4%
South West	65,621,232	11.2%	8,036	11.0%
West Midlands	55,733,308	9.5%	7,153	9.8%
East Anglia	49,156,358	8.4%	6,179	8.5%
East Midlands	39,831,718	6.8%	5,039	6.9%
North East	20,580,187	3.5%	2,767	3.8%
Scotland	5,729,320	1.0%	690	0.9%
Wales	5,822,328	1.0%	687	0.9%
Northern Ireland	653,684	0.1%	73	0.1%
Channel Islands	132,277	0.0%	16	0.0%
Isle of Man	109,428	0.0%	12	0.0%
not available	27,331,755	4.7%	2,859	3.9%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<b>2004 Cohort</b>				
<i>Region of Residence</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Greater London	129,404,929	16.1%	14,144	15.4%
North West	114,306,877	14.3%	13,493	14.7%
South East	105,270,427	13.1%	12,486	13.6%
Yorkshire and Humberside	89,699,064	11.2%	10,500	11.4%
South West	87,607,721	10.9%	9,852	10.7%
West Midlands	75,454,251	9.4%	8,908	9.7%
East Anglia	65,635,010	8.2%	7,661	8.3%
East Midlands	54,383,014	6.8%	6,346	6.9%
North East	29,023,587	3.6%	3,549	3.9%
Scotland	7,275,367	0.9%	779	0.8%
Wales	6,724,012	0.8%	748	0.8%
Northern Ireland	1,026,784	0.1%	103	0.1%
Channel Islands	140,749	0.0%	13	0.0%
Isle of Man	87,365	0.0%	10	0.0%
not available	35,232,706	4.4%	3,451	3.7%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

<b>2005 Cohort</b>				
<i>Region of Residence</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Greater London	161,904,572	17.0%	16,861	16.0%
North West	138,078,374	14.5%	15,593	14.8%
South East	124,312,337	13.0%	14,300	13.6%
Yorkshire and Humberside	103,992,189	10.9%	11,892	11.3%
South West	101,739,401	10.7%	11,039	10.5%
West Midlands	90,697,727	9.5%	10,299	9.8%
East Anglia	76,185,576	8.0%	8,653	8.2%
East Midlands	65,282,806	6.9%	7,347	7.0%
North East	34,747,389	3.6%	4,073	3.9%
Scotland	8,597,870	0.9%	869	0.8%
Wales	7,647,488	0.8%	791	0.7%
Northern Ireland	857,927	0.1%	89	0.1%
Channel Islands	128,638	0.0%	14	0.0%
Isle of Man	68,212	0.0%	8	0.0%
not available	38,730,764	4.1%	3,696	3.5%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>

<b>2006 Cohort</b>				
<i>Region of Residence</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Greater London	194,026,325	17.5%	20,069	16.7%
North West	160,794,713	14.5%	17,705	14.7%
South East	143,765,110	13.0%	16,392	13.6%
Yorkshire and Humberside	119,774,023	10.8%	13,415	11.1%
South West	113,944,609	10.3%	12,222	10.1%
West Midlands	107,558,393	9.7%	11,815	9.8%
East Anglia	87,214,422	7.9%	9,893	8.2%
East Midlands	74,664,493	6.8%	8,284	6.9%
North East	39,362,112	3.6%	4,496	3.7%
Scotland	8,439,428	0.8%	826	0.7%
Wales	9,083,989	0.8%	911	0.8%
Northern Ireland	1,217,966	0.1%	117	0.1%
Channel Islands	131,358	0.0%	11	0.0%
Isle of Man	75,921	0.0%	9	0.0%
not available	45,520,362	4.1%	4,275	3.5%
	<b>1,105,573,224</b>	<b>100.0%</b>	<b>120,440</b>	<b>100.0%</b>

3.16 **Overseas Borrowers**<sup>20</sup>

<b>Full Pool</b>				
<i>Overseas Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Overseas borrowers	139,986,589	3.8%	13,778	3.2%
Not overseas borrowers	3,586,530,298	96.2%	418,247	96.8%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<b>2002 Cohort</b>				
<i>Overseas Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Overseas borrowers	10,795,950	3.8%	1,289	3.1%
Not overseas borrowers	271,022,602	96.2%	39,856	96.9%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<i>Overseas Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Overseas borrowers	23,040,602	3.9%	2,387	3.3%
Not overseas borrowers	561,841,378	96.1%	70,486	96.7%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<b>2004 Cohort</b>				
<i>Overseas Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Overseas borrowers	31,016,085	3.9%	3,027	3.3%
Not overseas borrowers	770,255,777	96.1%	89,016	96.7%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

<b>2005 Cohort</b>				
<i>Overseas Borrowers</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Overseas borrowers	34,328,815	3.6%	3,268	3.1%
Not overseas borrowers	918,642,456	96.4%	102,256	96.9%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>

<sup>20</sup> SLC captures overseas status only if a borrower notifies SLC, so the analysis above does not capture all overseas borrowers but only those who have notified SLC.

<b>2006 Cohort</b>				
<b>Overseas Borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Overseas borrowers	40,805,138	3.7%	3,807	3.2%
Not overseas borrowers	1,064,768,085	96.3%	116,633	96.8%
	1,105,573,224	100.0%	120,440	100.0%

3.17 **Country of Birth**<sup>21</sup>

<b>Full Pool</b>				
<b>Country of Birth</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK	3,463,102,481	92.9%	404,909	93.7%
EU excl. UK	44,947,341	1.2%	4,858	1.1%
Overseas (not in the EU or UK)	208,618,866	5.6%	21,211	4.9%
not available	9,848,199	0.3%	1,047	0.2%
	3,726,516,887	100.0%	432,025	100.0%

<b>2002 Cohort</b>				
<b>Country of Birth</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK	259,529,262	92.1%	38,158	92.7%
EU excl. UK	4,572,170	1.6%	611	1.5%
Overseas (not in the EU or UK)	16,993,944	6.0%	2,274	5.5%
not available	723,176	0.3%	102	0.2%
	281,818,552	100.0%	41,145	100.0%

<b>2003 Cohort</b>				
<b>Country of Birth</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK	537,821,623	92.0%	67,716	92.9%
EU excl. UK	9,292,333	1.6%	1,020	1.4%
Overseas (not in the EU or UK)	36,495,323	6.2%	3,982	5.5%
not available	1,272,701	0.2%	155	0.2%
	584,881,980	100.0%	72,873	100.0%

<b>2004 Cohort</b>				
<b>Country of Birth</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK	735,904,878	91.8%	85,487	92.9%
EU excl. UK	11,298,147	1.4%	1,160	1.3%
Overseas (not in the EU or UK)	51,992,115	6.5%	5,191	5.6%
not available	2,076,722	0.3%	205	0.2%
	801,271,862	100.0%	92,043	100.0%

<b>2005 Cohort</b>				
<b>Country of Birth</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK	881,226,478	92.5%	98,640	93.5%
EU excl. UK	11,904,101	1.2%	1,208	1.1%
Overseas (not in the EU or UK)	57,724,806	6.1%	5,469	5.2%
not available	2,115,885	0.2%	207	0.2%
	952,971,270	100.0%	105,524	100.0%

<sup>21</sup> In this table, 'not available' means that the data are not available

2006 Cohort				
<i>Country of Birth</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
UK	1,048,620,241	94.8%	114,908	95.4%
EU excl. UK	7,880,590	0.7%	859	0.7%
Overseas (not in the EU or UK)	45,412,678	4.1%	4,295	3.6%
not available <sup>12</sup>	3,659,715	0.3%	378	0.3%
	1,105,573,224	100.0%	120,440	100.0%

3.18 **Course Levels**<sup>22</sup>

Full Pool				
<i>Course Level</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Undergraduate / First degree	3,497,462,062	93.9%	399,608	92.5%
Postgraduate / PGCE	174,873,572	4.7%	22,327	5.2%
Other	54,181,254	1.5%	10,090	2.3%
	3,726,516,887	100.0%	432,025	100.0%

2002 Cohort				
<i>Course Level</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Undergraduate / First degree	266,963,772	94.7%	37,148	90.3%
Postgraduate / PGCE	6,221,884	2.2%	1,629	4.0%
Other	8,632,896	3.1%	2,368	5.8%
	281,818,552	100.0%	41,145	100.0%

2003 Cohort				
<i>Course Level</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Undergraduate / First degree	555,809,084	95.0%	68,104	93.5%
Postgraduate / PGCE	20,369,019	3.5%	3,135	4.3%
Other	8,703,877	1.5%	1,634	2.2%
	584,881,980	100.0%	72,873	100.0%

2004 Cohort				
<i>Course Level</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Undergraduate / First degree	756,659,530	94.4%	86,113	93.6%
Postgraduate / PGCE	34,063,824	4.3%	4,495	4.9%
Other	10,548,508	1.3%	1,435	1.6%
	801,271,862	100.0%	92,043	100.0%

2005 Cohort				
<i>Course Level</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Undergraduate / First degree	891,063,873	93.5%	97,794	92.7%
Postgraduate / PGCE	49,421,700	5.2%	5,878	5.6%
Other	12,485,697	1.3%	1,852	1.8%
	952,971,270	100.0%	105,524	100.0%

<sup>22</sup>

A borrower can have more than one loan with different qualifications. Qualification in the analysis above is determined by the loan with the latest SRDD. In cases where a borrower has more than one loan with the same SRDD, the analysis captures the latest qualification of the borrower determined by looking at the loan with the highest loan ID.

<b>2006 Cohort</b>				
<b>Course Level</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Undergraduate / First degree	1,026,965,803	92.9%	110,449	91.7%
Postgraduate / PGCE	64,797,144	5.9%	7,190	6.0%
Other	13,810,276	1.2%	2,801	2.3%
	<b>1,105,573,224</b>	<b>100.0%</b>	<b>120,440</b>	<b>100.0%</b>

3.19 **Course Type**<sup>23</sup>

<b>Full Pool</b>				
<b>Course Type</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
BA/BSc degree	3,190,104,143	85.6%	353,686	81.9%
BA Law	51,907,670	1.4%	6,084	1.4%
BA/BSc Medicine	3,801,554	0.1%	524	0.1%
HND/HNC	204,143,205	5.5%	32,504	7.5%
PGCE or equivalent	152,246,393	4.1%	20,087	4.6%
MA/MSc	42,242,262	1.1%	4,587	1.1%
Foundation degree	24,125,688	0.6%	3,850	0.9%
Other (certificates and diplomas)	57,945,972	1.6%	10,703	2.5%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<b>2002 Cohort</b>				
<b>Course Type</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
BA/BSc degree	227,327,958	80.7%	30,190	73.4%
BA Law	7,493,971	2.7%	1,036	2.5%
BA/BSc Medicine	85,439	0.0%	14	0.0%
HND/HNC15	30,609,352	10.9%	5,632	13.7%
PGCE or equivalent	6,109,571	2.2%	1,629	4.0%
MA/MSc	867,034	0.3%	141	0.3%
Foundation degree	474,991	0.2%	96	0.2%
Other (certificates and diplomas)	8,850,235	3.1%	2,407	5.9%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<b>Course Type</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
BA/BSc degree	491,743,111	84.1%	58,193	79.9%
BA Law	15,650,862	2.7%	1,858	2.5%
BA/BSc Medicine	242,677	0.0%	46	0.1%
HND/HNC	42,502,149	7.3%	7,165	9.8%
PGCE or equivalent	16,589,574	2.8%	2,737	3.8%
MA/MSc	7,789,271	1.3%	920	1.3%
Foundation degree	1,235,759	0.2%	235	0.3%
Other (certificates and diplomas)	9,128,578	1.6%	1,719	2.4%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<sup>23</sup>

For the purposes of this table, 'BA/BSc Medicine' includes Medicine, Surgery, Veterinary Science, Nursing, Dentistry and related courses; 'HND/HNC' includes Higher National Diploma, Diploma In Higher Education, Certificate in Education, Diploma In Social Work and related courses; and 'PGCE or equivalent' includes Postgraduate Certificate In Education, Bachelor Of Education and related courses.

2004 Cohort				
<i>Course Type</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
BA/BSc degree	692,884,552	86.5%	76,591	83.2%
BA Law	8,810,102	1.1%	1,026	1.1%
BA/BSc Medicine	497,249	0.1%	78	0.1%
HND/HNC	45,135,136	5.6%	7,105	7.7%
PGCE or equivalent	30,622,165	3.8%	4,140	4.5%
MA/MSc	8,733,416	1.1%	986	1.1%
Foundation degree	3,453,757	0.4%	560	0.6%
Other (certificates and diplomas)	11,135,486	1.4%	1,557	1.7%
	801,271,862	100.0%	92,043	100.0%

2005 Cohort				
<i>Course Type</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
BA/BSc degree	822,334,440	86.3%	88,015	83.4%
BA Law	9,346,257	1.0%	1,059	1.0%
BA/BSc Medicine	1,286,895	0.1%	168	0.2%
HND/HNC15	45,357,456	4.8%	6,766	6.4%
PGCE or equivalent	43,016,219	4.5%	5,252	5.0%
MA/MSc	11,163,312	1.2%	1,165	1.1%
Foundation degree	6,936,048	0.7%	1,074	1.0%
Other (certificates and diplomas)	13,530,644	1.4%	2,025	1.9%
	952,971,270	100.0%	105,524	100.0%

2006 Cohort				
<i>Course Type</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
BA/BSc degree	955,814,083	86.5%	100,697	83.6%
BA Law	10,606,479	1.0%	1,105	0.9%
BA/BSc Medicine	1,689,294	0.2%	218	0.2%
HND/HNC	40,539,111	3.7%	5,836	4.8%
PGCE or equivalent	55,908,866	5.1%	6,329	5.3%
MA/MSc	13,689,229	1.2%	1,375	1.1%
Foundation degree	12,025,133	1.1%	1,885	1.6%
Other (certificates and diplomas)	15,301,030	1.4%	2,995	2.5%
	1,105,573,224	100.0%	120,440	100.0%

### 3.20 Length of course<sup>24</sup>

Full Pool				
<i>Length of Course</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
1 year	191,318,986	5.1%	24,061	5.6%
2 years	242,625,184	6.5%	37,538	8.7%
3 years	2,391,461,750	64.2%	269,050	62.3%
4 years	844,179,752	22.7%	91,487	21.2%
5 years	39,677,706	1.1%	4,161	1.0%
>5 years	8,753,570	0.2%	3,019	0.7%
not available	8,499,938	0.2%	2,709	0.6%
	3,726,516,887	100.0%	432,025	100.0%

<sup>24</sup> 'Not available' means the 'length of course' data is not available (original data was provided by the relevant Higher Education Institution). There are ICR Loans where such information is not available, including transitional loans where length of course information was not collected at the time of application. Transitional loans were taken on during the transitional period when the ICR scheme was introduced and mortgage-style scheme was being wound down.

<b>2002 Cohort</b>				
<b>Length of Course</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
1 year	7,260,824	2.6%	1,744	4.2%
2 years	30,863,333	11.0%	5,682	13.8%
3 years	211,078,091	74.9%	27,819	67.6%
4 years	26,914,109	9.6%	3,945	9.6%
5 years	509,083	0.2%	90	0.2%
>5 years	150,890	0.1%	60	0.1%
not available	5,042,222	1.8%	1,805	4.4%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<b>Length of Course</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
1 year	20,649,900	3.5%	3,125	4.3%
2 years	43,962,802	7.5%	7,374	10.1%
3 years	385,504,130	65.9%	45,632	62.6%
4 years	129,111,081	22.1%	15,484	21.2%
5 years	2,414,251	0.4%	322	0.4%
>5 years	489,119	0.1%	153	0.2%
not available	2,750,697	0.5%	783	1.1%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<b>2004 Cohort</b>				
<b>Length of Course</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
1 year	40,038,994	5.0%	5,137	5.6%
2 years	52,012,330	6.5%	7,949	8.6%
3 years	500,654,006	62.5%	56,168	61.0%
4 years	198,951,335	24.8%	21,536	23.4%
5 years	7,991,229	1.0%	854	0.9%
>5 years	1,034,357	0.1%	295	0.3%
not available	589,611	0.1%	104	0.1%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

<b>2005 Cohort</b>				
<b>Length of Course</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
1 year	54,888,092	5.8%	6,470	6.1%
2 years	56,473,297	5.9%	8,242	7.8%
3 years	591,801,065	62.1%	64,237	60.9%
4 years	234,325,243	24.6%	24,452	23.2%
5 years	12,385,838	1.3%	1,303	1.2%
>5 years	3,011,643	0.3%	809	0.8%
not available	86,093	0.0%	11	0.0%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>

<b>2006 Cohort</b>				
<b>Length of Course</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
1 year	68,481,177	6.2%	7,585	6.3%
2 years	59,313,421	5.4%	8,291	6.9%
3 years	702,424,459	63.5%	75,194	62.4%
4 years	254,877,984	23.1%	26,070	21.6%
5 years	16,377,306	1.5%	1,592	1.3%
>5 years	4,067,562	0.4%	1,702	1.4%
not available	31,315	0.0%	6	0.0%
	<b>1,105,573,224</b>	<b>100.0%</b>	<b>120,440</b>	<b>100.0%</b>

3.21 **Course completion status** <sup>25</sup>

<b>Full Pool</b>				
<b>Course Completion Status</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Completed course	3,463,239,466	92.9%	389,371	90.1%
Did not complete course	263,277,421	7.1%	42,654	9.9%
	<b>3,726,516,887</b>	<b>100.0%</b>	<b>432,025</b>	<b>100.0%</b>

<b>2002 Cohort</b>				
<b>Course Completion Status</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Completed course	254,904,414	90.4%	35,805	87.0%
Did not complete course	26,914,138	9.6%	5,340	13.0%
	<b>281,818,552</b>	<b>100.0%</b>	<b>41,145</b>	<b>100.0%</b>

<b>2003 Cohort</b>				
<b>Course Completion Status</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Completed course	542,223,301	92.7%	65,434	89.8%
Did not complete course	42,658,679	7.3%	7,439	10.2%
	<b>584,881,980</b>	<b>100.0%</b>	<b>72,873</b>	<b>100.0%</b>

<b>2004 Cohort</b>				
<b>Course Completion Status</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Completed course	748,606,720	93.4%	83,735	91.0%
Did not complete course	52,665,142	6.6%	8,308	9.0%
	<b>801,271,862</b>	<b>100.0%</b>	<b>92,043</b>	<b>100.0%</b>

<b>2005 Cohort</b>				
<b>Course Completion Status</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Completed course	888,931,249	93.3%	95,900	90.9%
Did not complete course	64,040,021	6.7%	9,624	9.1%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>

<b>2006 Cohort</b>				
<b>Course Completion Status</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Completed course	1,028,573,783	93.0%	108,497	90.1%
Did not complete course	76,999,441	7.0%	11,943	9.9%
	<b>1,105,573,224</b>	<b>100.0%</b>	<b>120,440</b>	<b>100.0%</b>

<sup>25</sup>

'Borrowers did not complete course' captures people who dropped out of a course and didn't start a new course.



3.22 Education Establishment Type<sup>26</sup>

<b>Full Pool</b>				
<i>Education Establishment Type</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Higher Education Institution (HEI)	3,224,758,692	86.5%	371,993	86.1%
Further Education College (FEC)	159,525,348	4.3%	21,835	5.1%
Alternative Provider	342,232,847	9.2%	38,197	8.8%
	3,726,516,887	100.0%	432,025	100.0%

<b>2002 Cohort</b>				
<i>Education Establishment Type</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Higher Education Institution (HEI)	232,521,492	82.5%	33,701	81.9%
Further Education College (FEC)	18,882,709	6.7%	3,132	7.6%
Alternative Provider	30,414,351	10.8%	4,312	10.5%
	281,818,552	100.0%	41,145	100.0%

<b>2003 Cohort</b>				
<i>Education Establishment Type</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Higher Education Institution (HEI)	494,581,363	84.6%	61,221	84.0%
Further Education College (FEC)	31,498,552	5.4%	4,565	6.3%
Alternative Provider	58,802,065	10.1%	7,087	9.7%
	584,881,980	100.0%	72,873	100.0%

<b>2004 Cohort</b>				
<i>Education Establishment Type</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Higher Education Institution (HEI)	689,905,435	86.1%	79,002	85.8%
Further Education College (FEC)	35,312,540	4.4%	4,692	5.1%
Alternative Provider	76,053,887	9.5%	8,349	9.1%
	801,271,862	100.0%	92,043	100.0%

<b>2005 Cohort</b>				
<i>Education Establishment Type</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Higher Education Institution (HEI)	834,682,925	87.6%	92,125	87.3%
Further Education College (FEC)	36,341,319	3.8%	4,713	4.5%
Alternative Provider	81,947,027	8.6%	8,686	8.2%
	952,971,270	100.0%	105,524	100.0%

<b>2006 Cohort</b>				
<i>Education Establishment Type</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Higher Education Institution (HEI)	973,067,477	88.0%	105,944	88.0%
Further Education College (FEC)	37,490,229	3.4%	4,733	3.9%
Alternative Provider	95,015,517	8.6%	9,763	8.1%
	1,105,573,224	100.0%	120,440	100.0%

<sup>26</sup>

A borrower can have loans with different education establishment type. Education type has been determined by the loan of the borrower with the latest SRDD. In cases where a borrower has more than one loan with the same SRDD, the analysis captures the latest education establishment type of the borrower determined by looking at the loan with the highest loan ID.

3.23 University ranking <sup>2728</sup>

Full Pool				
<i>University Ranking</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Top 20	368,915,663	9.9%	44,298	10.3%
Top 21-30	153,103,697	4.1%	19,128	4.4%
Top 31-40	284,422,345	7.6%	34,103	7.9%
Top 41-50	234,589,848	6.3%	27,350	6.3%
Not in top 50	2,184,684,667	58.6%	245,134	56.7%
Other	500,800,668	13.4%	62,012	14.4%
	3,726,516,887	100.0%	432,025	100.0%

2002 Cohort				
<i>University Ranking</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Top 20	21,702,013	7.7%	3,248	7.9%
Top 21-30	9,327,163	3.3%	1,428	3.5%
Top 31-40	17,664,184	6.3%	2,639	6.4%
Top 41-50	15,913,099	5.6%	2,390	5.8%
Not in top 50	166,570,221	59.1%	23,726	57.7%
Other	50,641,871	18.0%	7,714	18.7%
	281,818,552	100.0%	41,145	100.0%

2003 Cohort				
<i>University Ranking</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Top 20	54,289,649	9.3%	6,982	9.6%
Top 21-30	21,913,772	3.7%	2,964	4.1%
Top 31-40	41,109,102	7.0%	5,329	7.3%
Top 41-50	35,165,104	6.0%	4,463	6.1%
Not in top 50	343,117,895	58.7%	41,512	57.0%
Other	89,286,459	15.3%	11,623	15.9%
	584,881,980	100.0%	72,873	100.0%

2004 Cohort				
<i>University Ranking</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Top 20	78,110,430	9.7%	9,324	10.1%
Top 21-30	32,347,164	4.0%	4,044	4.4%
Top 31-40	62,162,106	7.8%	7,343	8.0%
Top 41-50	50,162,416	6.3%	5,877	6.4%
Not in top 50	468,437,316	58.5%	52,359	56.9%
Other	110,052,429	13.7%	13,096	14.2%
	801,271,862	100.0%	92,043	100.0%

<sup>27</sup> 'University ranking' is based on Guardian University Guide 2014, 'University league table' has been used for ranking purposes in the analysis above (<http://www.theguardian.com/education/table/2013/jun/03/university-league-table-2014>). A borrower can have loans with different university names associated with them. In such case, university ranking has been determined by using the loan with the latest SRDD. In cases where a borrower has more than one loan with the same SRDD, the analysis captured the latest university of the borrower determined by looking at the loan with the highest loan ID.

<sup>28</sup> 'Other' category includes universities which are not designated a ranking by the Guardian University Guide 2014: University league table.

**2005 Cohort**

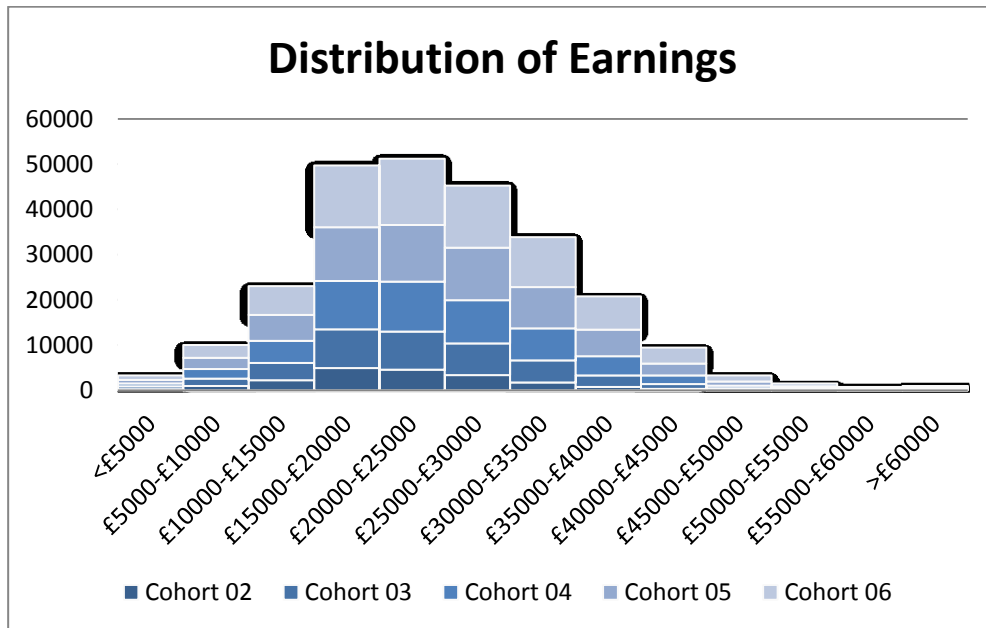
<i>University Ranking</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Top 20	96,930,161	10.2%	11,318	10.7%
Top 21-30	40,196,915	4.2%	4,799	4.5%
Top 31-40	73,564,932	7.7%	8,517	8.1%
Top 41-50	62,600,238	6.6%	6,953	6.6%
Not in top 50	559,629,882	58.7%	59,881	56.7%
Other	120,049,141	12.6%	14,056	13.3%
	<b>952,971,270</b>	<b>100.0%</b>	<b>105,524</b>	<b>100.0%</b>

**2006 Cohort**

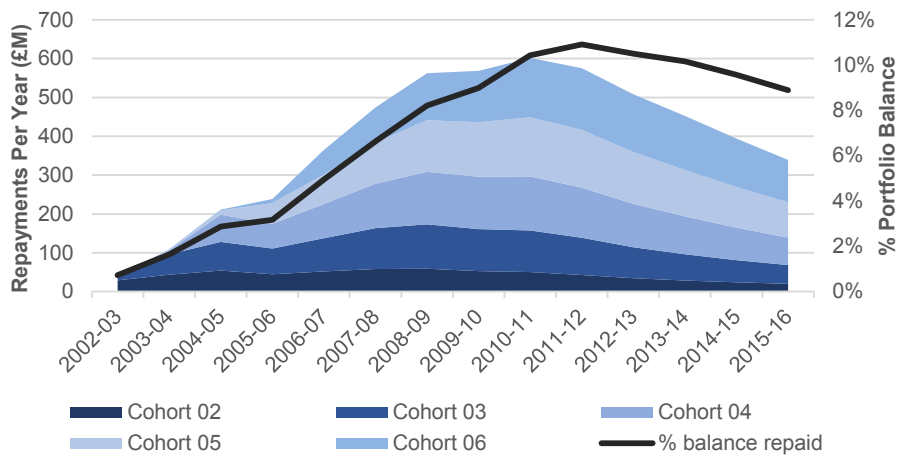
<i>University Ranking</i>	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
Top 20	117,883,410	10.7%	13,426	11.1%
Top 21-30	49,318,682	4.5%	5,893	4.9%
Top 31-40	89,922,021	8.1%	10,275	8.5%
Top 41-50	70,748,990	6.4%	7,667	6.4%
Not in top 50	646,929,353	58.5%	67,656	56.2%
Other	130,770,767	11.8%	15,523	12.9%
	<b>1,105,573,224</b>	<b>100.0%</b>	<b>120,440</b>	<b>100.0%</b>

**4. ADDITIONAL INFORMATION**

**4.1 Earnings by cohort**



#### 4.2 Level of repayments across cohorts



#### 4.3 Current loan Balance bands across cohorts 02-06<sup>29</sup>

Current loan band	Cohort 02	Cohort 03	Cohort 04	Cohort 05	Cohort 06	Total
<£5k	16,598	23,862	26,617	28,280	31,043	126,400
£5k-£10k	14,114	24,267	29,928	34,671	39,513	142,493
£10k-£15k	9,254	18,217	24,219	28,253	33,437	113,380
£15k-£20k	1,166	5,858	9,045	10,914	12,175	39,158
>£20k	13	669	2,234	3,406	4,272	10,594
<b>Total</b>	<b>41,145</b>	<b>72,873</b>	<b>92,043</b>	<b>105,524</b>	<b>120,440</b>	<b>432,025</b>

Current loan band	Cohort 02	Cohort 03	Cohort 04	Cohort 05	Cohort 06	Total
<£5k	40.3 %	32.7 %	28.9 %	26.8 %	25.8 %	29.3 %
£5k-£10k	34.3 %	33.3 %	32.5 %	32.9 %	32.8 %	33.0 %
£10k-£15k	22.5 %	25.0 %	26.3 %	26.8 %	27.8 %	26.2 %
£15k-£20k	2.8 %	8.0 %	9.8 %	10.3 %	10.1 %	9.1 %
>£20k	0.0 %	0.9 %	2.4 %	3.2 %	3.5 %	2.5 %

#### 4.4 Loan balance distribution (outstanding balance)<sup>30</sup>

Current loan band	Cohort 02	Cohort 03	Cohort 04	Cohort 05	Cohort 06	Total
<£2.5k	4,055	6,083	6,882	7,349	8,039	32,408
£2.5-£5k	5,167	9,235	11,358	12,932	14,288	52,980
£5k-£7.5k	4,074	7,702	10,313	12,621	14,721	49,431
£7.5k-£10k	3,077	6,502	8,943	11,140	13,952	43,614
£10k-£12.5k	1,986	4,872	7,105	8,734	10,871	33,568
£12.5k-£15k	936	2,929	4,719	6,146	7,845	22,575
£15k-£17.5k	225	1,286	2,193	2,846	3,433	9,983
£17.5k-£20k	16	464	1,099	1,523	1,958	5,060
£20k-£22.5k	2	100	428	662	835	2,027
£22.5k-£25k	0	18	188	304	398	908
£25k-£27.5k	0	4	58	133	217	412
£27.5k-£30k	0	0	10	46	80	136
>£30k	0	0	6	38	76	120

<sup>29</sup> In this table, only borrowers with a current open loan are included and current loan balance is the outstanding balance as at 31st March 2016.

<sup>30</sup> In this table, only borrowers with a current open loan are included. The current loan balance is the outstanding balance as at 31st March 2016. Borrowers with a current outstanding balance of less than £120 are excluded.

#### 4.5 Distributions of Repayments <sup>31</sup>

Current loan band	Cohort 02	Cohort 03	Cohort 04	Cohort 05	Cohort 06	Total
<£250	6,631	10,800	13,267	14,904	17,067	62,669
£250-£500	3,339	6,060	7,952	8,989	10,357	36,697
£500-£750	2,736	5,252	6,881	7,864	9,239	31,972
£750-£1k	2,158	4,358	5,855	7,068	8,264	27,703
£1k-£1.25k	1,721	3,703	5,156	6,468	7,557	24,605
£1.25k-£1.5k	1,088	2,973	4,242	5,324	6,609	20,236
£1.5k-£1.75k	741	2,171	3,246	4,477	5,370	16,005
£1.75k-£2k	450	1,427	2,360	3,159	4,092	11,488
£2k-£2.25k	312	1,039	1,739	2,436	3,008	8,534
£2.25k-£2.5k	163	576	1,042	1,364	1,906	5,051
£2.5k-£2.75k	68	292	518	791	1,078	2,747
£2.75k-£3k	55	186	357	539	744	1,881
>£3k	76	358	687	1,091	1,422	3,634

<sup>31</sup>

In this table, only borrowers with a current open loan are included. Borrowers with no current repayments are excluded. Current repayments are repayments made in 2015-16.

#### 4.6 Outstanding balance and repayments by year (open & closed borrowers)<sup>32</sup>

Balance outstanding at the end of each year (£m)														
Cohort	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Cohort 02</b>	718.4	691.1	655.6	629.7	594.5	557.8	517.9	468.1	421.2	383.5	353.9	329.7	309.5	291.8
<b>Cohort 03</b>	1,373.7	1,354.5	1,317.6	1,289.2	1,238.0	1,177.5	1,103.6	1,002.1	902.7	818.3	749.7	691.3	643.2	600.7
<b>Cohort 04</b>	1,506.5	1,713.6	1,692.9	1,678.0	1,634.7	1,580.1	1,500.4	1,374.7	1,246.4	1,134.0	1,037.7	953.1	881.7	819.9
<b>Cohort 05</b>	1,122.5	1,656.1	1,883.4	1,887.1	1,862.0	1,824.2	1,756.6	1,626.9	1,487.8	1,360.0	1,245.4	1,142.9	1,054.0	974.0
<b>Cohort 06</b>	669.2	1,228.2	1,795.4	2,040.0	2,033.7	2,018.7	1,970.6	1,850.2	1,712.1	1,577.6	1,450.9	1,331.9	1,225.3	1,128.6
<b>Total</b>	5,390.3	6,643.5	7,344.9	7,524.1	7,362.9	7,158.2	6,849.1	6,321.9	5,770.3	5,273.4	4,837.7	4,449.0	4,113.6	3,815.0

Total repayments per year (£m)														
Cohort	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Cohort 02</b>	29.0	43.6	54.2	44.7	52.0	58.2	58.9	52.8	50.4	42.8	34.6	28.5	23.9	20.1
<b>Cohort 03</b>	7.1	52.7	73.8	66.2	85.6	105.3	114.4	108.2	107.1	96.0	79.6	67.7	57.0	48.3
<b>Cohort 04</b>	1.1	10.2	70.1	63.7	88.2	114.4	135.2	135.0	139.1	129.0	111.7	97.6	83.6	70.8
<b>Cohort 05</b>	1.0	1.4	11.0	53.2	75.8	106.2	132.8	140.2	152.1	148.6	133.5	119.3	104.5	90.6
<b>Cohort 06</b>	0.8	1.4	2.0	10.6	63.3	90.3	121.1	132.3	153.0	158.9	148.7	139.2	124.8	109.2
<b>Total</b>	39.0	109.2	211.2	238.5	364.9	474.3	562.4	568.5	601.7	575.3	508.1	452.4	393.9	339.1

#### 4.7 Repayments as a proportion of outstanding balance at start of year (open & closed borrowers)<sup>33</sup>

Repayments as a proportion of outstanding balance at the start of the year														
Cohort	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
<b>Cohort 02</b>	6.1 %	7.8 %	6.8 %	8.3 %	9.8 %	10.6 %	10.2 %	10.8 %	10.2 %	9.0 %	8.1 %	7.3 %	6.5 %	
<b>Cohort 03</b>	3.8 %	5.4 %	5.0 %	6.6 %	8.5 %	9.7 %	9.8 %	10.7 %	10.6 %	9.7 %	9.0 %	8.2 %	7.5 %	
<b>Cohort 04</b>	0.7 %	4.1 %	3.8 %	5.3 %	7.0 %	8.6 %	9.0 %	10.1 %	10.4 %	9.8 %	9.4 %	8.8 %	8.0 %	
<b>Cohort 05</b>	0.1 %	0.7 %	2.8 %	4.0 %	5.7 %	7.3 %	8.0 %	9.3 %	10.0 %	9.8 %	9.6 %	9.1 %	8.6 %	
<b>Cohort 06</b>	0.2 %	0.2 %	0.6 %	3.1 %	4.4 %	6.0 %	6.7 %	8.3 %	9.3 %	9.4 %	9.6 %	9.4 %	8.9 %	
<b>Total</b>	2.0 %	3.2 %	3.2 %	4.8 %	6.4 %	7.9 %	8.3 %	9.5 %	10.0 %	9.6 %	9.4 %	8.9 %	8.2 %	

<sup>32</sup> This table includes all open & closed borrowers

<sup>33</sup> This table includes all open & closed borrowers

#### 4.8 Average real earning of borrowers (£)<sup>34</sup>

Average real earnings (mean) of borrowers with earnings (£)														
Cohort	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Cohort 02</b>	16,112	19,729	21,435	23,001	24,444	25,284	25,161	24,610	23,990	22,994	21,796	20,959	20,234	19,334
<b>Cohort 03</b>		16,971	19,743	22,110	24,043	25,780	26,224	26,158	25,944	25,179	24,068	23,151	22,494	21,507
<b>Cohort 04</b>			16,970	20,052	22,339	24,528	25,694	26,208	26,343	25,879	25,075	24,321	23,710	22,700
<b>Cohort 05</b>				17,199	20,305	22,786	24,343	25,360	26,050	26,017	25,604	25,016	24,633	23,692
<b>Cohort 06</b>					17,146	20,454	22,431	23,720	24,874	25,505	25,475	25,383	25,146	24,270
<b>Total</b>	16,112	18,081	19,026	20,195	21,198	23,441	24,595	25,193	25,582	25,417	24,845	24,293	23,834	22,898

#### 4.9 Real earnings deciles of borrowers with earnings, all cohorts (£)<sup>35</sup>

Real earnings deciles of borrowers with earnings (£)														
All cohorts	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Minimum</b>	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001
<b>Decile 1</b>	4,094	5,706	5,859	6,489	6,829	8,138	8,463	8,383	8,133	7,767	7,670	7,692	7,610	7,307
<b>Decile 2</b>	7,040	9,392	9,935	10,929	11,507	13,473	14,219	14,356	14,013	13,392	12,707	12,155	11,485	10,802
<b>Decile 3</b>	10,080	12,716	13,461	14,498	15,086	17,015	17,895	18,212	18,044	17,595	16,987	16,356	15,597	14,696
<b>Decile 4</b>	12,992	15,334	16,239	17,224	17,846	19,785	20,897	21,394	21,344	21,002	20,411	19,797	19,178	18,162
<b>Decile 5 (median)</b>	15,504	17,664	18,678	19,715	20,503	22,482	23,775	24,479	24,633	24,400	23,874	23,204	22,592	21,496
<b>Decile 6</b>	17,951	20,114	21,251	22,330	23,023	25,082	26,500	27,440	28,086	28,006	27,438	26,664	26,335	25,160
<b>Decile 7</b>	20,936	22,926	23,783	24,659	25,712	27,801	29,345	30,352	31,488	31,547	31,072	30,214	30,152	28,975
<b>Decile 8</b>	23,892	25,387	26,505	27,654	28,888	31,281	33,032	34,105	35,401	35,661	35,215	34,339	34,431	33,391
<b>Decile 9</b>	28,025	29,417	30,850	32,474	34,379	37,661	39,767	40,705	41,749	41,862	41,263	40,731	40,308	39,256
<b>Maximum</b>	457,447	906,117	1,215,602	1,302,159	889,142	5,507,375	6,054,366	895,952	1,187,925	784,818	499,427	617,645	542,832	737,592

<sup>34</sup> This table includes all open & closed borrowers. Borrowers earning less than £1000 (including 0) are excluded. Borrowers are removed in years prior to their SRDD. Earnings are given in 2013-14 prices. Over-repayments and negative balances have been removed.

<sup>35</sup> This table includes all open and closed borrowers with an outstanding loan in the given year. Borrowers earning less than £1000 (including 0) are excluded. Borrowers are removed in years prior to their SRDD. Earnings are given in 2013-14 prices. Over-repayments and negative balances have been removed.

4.10 Percentage of outstanding balance held by borrowers not earning above National Insurance threshold over the last three years<sup>36</sup>

Cohort	Number not earning above £7,500 in the last 3 years	Percentage of the total	Proportion of total balance not earning above £7,500 in the last 3 years													
			2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Cohort 02	10,921	26.5%	24.7%	24.7%	24.7%	24.7%	24.8%	24.9%	25.1%	25.4%	26.0%	26.7%	27.5%	28.5%	29.6%	30.8%
Cohort 03	16,580	22.8%	21.4%	21.4%	21.4%	21.3%	21.3%	21.4%	21.6%	21.9%	22.4%	23.1%	23.9%	24.9%	26.0%	27.3%
Cohort 04	18,460	20.1%	18.8%	18.9%	18.9%	18.8%	18.8%	18.9%	19.1%	19.4%	19.8%	20.4%	21.2%	22.1%	23.1%	24.3%
Cohort 05	19,165	18.2%	17.0%	17.0%	17.1%	17.1%	17.1%	17.1%	17.3%	17.5%	17.9%	18.4%	19.1%	20.0%	21.1%	22.3%
Cohort 06	19,819	16.5%	15.7%	15.4%	15.3%	15.4%	15.4%	15.4%	15.5%	15.7%	16.0%	16.5%	17.1%	17.9%	18.9%	20.0%
<b>Total</b>	<b>84,945</b>	<b>19.7%</b>	<b>19.2%</b>	<b>18.6%</b>	<b>18.3%</b>	<b>18.2%</b>	<b>18.2%</b>	<b>18.2%</b>	<b>18.3%</b>	<b>18.6%</b>	<b>19.0%</b>	<b>19.6%</b>	<b>20.3%</b>	<b>21.2%</b>	<b>22.3%</b>	<b>23.5%</b>

4.11 Percentage of outstanding balance held by borrowers who have never repaid<sup>37</sup>

Cohort	Number that have never repaid	Percentage of the total	Proportion of total balance that has never made a repayment													
			2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Cohort 02	3,946	9.6 %	8.2 %	8.4 %	8.6 %	8.8 %	9.0 %	9.2 %	9.5 %	9.8 %	10.1 %	10.5 %	10.9 %	11.3 %	11.8 %	12.4 %
Cohort 03	5,918	8.1 %	6.7 %	6.9 %	7.0 %	7.1 %	7.3 %	7.4 %	7.7 %	7.9 %	8.3 %	8.6 %	9.0 %	9.4 %	9.9 %	10.4 %
Cohort 04	7,150	7.8 %	6.4 %	6.6 %	6.7 %	6.8 %	6.9 %	7.1 %	7.3 %	7.5 %	7.8 %	8.2 %	8.6 %	9.0 %	9.5 %	10.0 %
Cohort 05	8,905	8.4 %	6.9 %	7.0 %	7.1 %	7.2 %	7.3 %	7.5 %	7.7 %	7.9 %	8.3 %	8.6 %	9.1 %	9.5 %	10.1 %	10.7 %
Cohort 06	10,345	8.6 %	6.7 %	6.9 %	7.0 %	7.1 %	7.2 %	7.3 %	7.5 %	7.7 %	8.0 %	8.3 %	8.8 %	9.2 %	9.8 %	10.5 %
<b>Total</b>	<b>36,264</b>	<b>8.4 %</b>	<b>6.8 %</b>	<b>7.0 %</b>	<b>7.1 %</b>	<b>7.2 %</b>	<b>7.3 %</b>	<b>7.4 %</b>	<b>7.7 %</b>	<b>7.9 %</b>	<b>8.2 %</b>	<b>8.6 %</b>	<b>9.0 %</b>	<b>9.4 %</b>	<b>10.0 %</b>	<b>10.6 %</b>

4.12 Repayments as a proportion of the total, all cohorts<sup>38</sup>

Repayment type	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Voluntary</b>	39.0%	27.0%	20.4%	23.2%	17.3%	12.1%	12.4%	8.4%	8.2%	6.9%	6.7%	7.4%	7.9%	8.4%
<b>PAYE</b>	60.9%	72.1%	78.1%	73.6%	80.3%	84.8%	83.7%	86.9%	86.4%	86.3%	84.3%	81.8%	79.9%	77.6%
<b>SA</b>	0.0%	0.6%	1.3%	2.9%	2.2%	2.9%	3.5%	4.0%	4.2%	4.8%	6.1%	7.0%	8.0%	9.3%
<b>Direct</b>	0.1%	0.3%	0.2%	0.2%	0.2%	0.3%	0.4%	0.6%	1.2%	2.1%	2.9%	3.7%	4.2%	4.7%
of which														
<b>Card</b>	0.1%	0.2%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.3%	0.4%	0.5%	0.6%	0.7%	0.8%
<b>Direct Debit</b>	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.3%	0.5%	0.8%	1.5%	2.2%	2.9%	3.2%	3.6%
<b>Bank Transfer and Cheque</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.3%

<sup>36</sup> In this table, only borrowers with a current open loan are included. The National Insurance threshold was £7,500 in 2011-12, 2012-13 and 2014-15. The National Insurance threshold is used as SLC data for earnings below this level is incomplete. Some borrowers earning below this level have no recorded earnings in the data.

<sup>37</sup> In this table, only borrowers with a current open loan are included. Borrowers that have never repaid are defined as borrowers with no repayments from 2002-03 to 2015-16.

<sup>38</sup> This table includes all open & closed borrowers. Over-repayments have not been removed for these breakdowns.



5. **Risk Retention in accordance with Article 405 of the CRR, Article 51 of Section 5 of Chapter III of the AIFMR and Article 254 of the Solvency II Regulation as at the Note Issuance Date**

<b>Type of Asset</b>	<b>Number of ICR Loans</b>	<b>Percentage of ICR Loans</b>	<b>Outstanding Nominal Balance</b>
Portfolio of ICR Loans sold to SPV	1,199,317.00	95.15%	£3,547,366,084.94
Retention of ICR Loans by Seller	61,105.00	4.85%	£179,150,802.19
	1,260,422.00	100.00%	£3,726,516,887.13

<b>Portfolio of ICR Loans sold to Issuer</b>	<b>Retention of ICR Loans by Seller</b>	<b>Retention as a percentage of "securitised exposures"</b>
£3,547,366,084.94	£179,150,802.19	5.05%

### WEIGHTED AVERAGE LIVES OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Transferred Loans and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Offered Notes can be made based on certain assumptions. The assumptions used to calculate the possible average lives of the Offered Notes (the weighted average lives of the notes or "WAL") in the following tables include that:

- (a) no Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (b) the Seller is not in breach of any terms of the Loan Sale Agreement;
- (c) no Transferred Loan is repurchased by the Seller;
- (d) no Security has been enforced;
- (e) no Transferred Loan is sold by the Issuer;
- (f) no Compensation Event has occurred;
- (g) no Servicing Event has occurred;
- (h) no early redemption of the Notes has occurred under Condition 5.4 (*Early redemption; UK Tax System or CCA Event*), 5.5 (*Optional redemption for taxation reasons*), 5.6 (*Redemption for indexation reasons*), 5.7 (*Optional redemption for Estimated Receipts*) or 5.8 (*Fees Shortfall*);
- (i) the Cut-Off Date is 31 March 2016, the Final Extraction Date is 30 April 2017 and the Note Issuance Date is 14 December 2017;
- (j) the rate of interest payable in respect of the Class A1 Notes is LIBOR + 1.0 % per annum, subject to a LIBOR floor of zero;
- (k) the rate of interest payable in respect of the Class A2 Notes is 2.5% per annum;
- (l) the rate of interest payable in respect of the Class B Notes is the Index Rate + 1.45% per annum;
- (m) that, as of the Note Issuance Date, the Note Principal Amount of (i) the Class A1 Notes represents exactly 22.85 per cent. (ii) the Class A2 Notes represents exactly 19.65 per cent. and (iii) the Class B Notes represents exactly 3.40 per cent., in each case, of the aggregate estimated Amount Outstanding of all Transferred Loans in the Portfolio as of the Cut-Off Date; and
- (n) the Base Case Cashflows forecasts for Nominal Earnings Growth, RPI, LIBOR and the Base Rate are outlined below:

<b>Base Case Cashflows Forecasts</b>				
	<b>Nominal Earnings Growth</b>	<b>RPI</b>	<b>Base Rate</b>	<b>LIBOR</b>
2016/17	2.57%	1.19%	0.33%	0.83%
2017/18	2.56%	2.35%	0.26%	0.76%
2018/19	2.81%	3.58%	0.41%	0.91%
2019/20	3.02%	3.57%	0.60%	1.10%
2020/21	3.50%	3.17%	0.80%	1.30%
2021/22	3.66%	3.12%	1.01%	1.51%
2022/23	3.79%	3.18%	1.26%	1.76%
2023/24	3.92%	3.08%	1.52%	2.02%

2024/25	4.05%	3.00%	1.78%	2.28%
2025/26	4.17%	3.00%	2.04%	2.54%
2026/27	4.30%	3.00%	2.30%	2.80%
2027/28	4.30%	3.00%	2.56%	3.06%
2028/29	4.30%	3.00%	2.82%	3.32%
2029/30	4.30%	3.00%	3.08%	3.58%
2030/31	4.30%	3.00%	3.34%	3.84%
2031/32	4.30%	3.00%	3.60%	4.10%
2032/33	4.30%	3.00%	3.86%	4.36%
2033/34	4.30%	3.00%	4.12%	4.62%
2034/35	4.30%	3.00%	4.38%	4.88%
2035/36	4.30%	3.00%	4.64%	5.14%
2036/37	4.30%	3.00%	4.90%	5.40%
2037/38	4.30%	3.00%	4.90%	5.40%
2038/39	4.30%	3.00%	4.90%	5.40%
2039/40	4.30%	3.00%	4.90%	5.40%
2040/41	4.30%	3.00%	4.90%	5.40%
2042/42	4.30%	3.00%	4.90%	5.40%
2042/43	4.30%	3.00%	4.90%	5.40%
2043/44	4.30%	3.00%	4.90%	5.40%
2044/45	4.30%	3.00%	4.90%	5.40%
2045/46	4.30%	3.00%	4.90%	5.40%
2046/47	4.30%	3.00%	4.90%	5.40%
2047/48	4.30%	3.00%	4.90%	5.40%
2048/49	4.30%	3.00%	4.90%	5.40%
2049/50	4.30%	3.00%	4.90%	5.40%
2050/51	4.30%	3.00%	4.90%	5.40%
2051/52	4.30%	3.00%	4.90%	5.40%
2052/53	4.30%	3.00%	4.90%	5.40%
2053/54	4.30%	3.00%	4.90%	5.40%
2054/55	4.30%	3.00%	4.90%	5.40%
2055/56	4.30%	3.00%	4.90%	5.40%

Assumptions (a) to (n) above relate to circumstances which are not predictable.

The average lives of the Offered Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see the section entitled "*Risk Factors – Transaction Structure - Considerations relating to yield, repayments, voluntary repayments, mandatory redemptions and optional redemptions*".

The following tables are hypothetical in nature and are provided only to give a general sense of how the cash flows available to the Issuer might behave under various RPI and nominal earnings growth scenarios. It should be noted that the Issuer does not expect that the Transferred Loans will necessarily repay in accordance with the assumed RPI and nominal earnings growth scenarios until maturity. Any difference between the assumptions above and, *inter alia*, the actual RPI and nominal earnings growth experience on the Transferred Loans may affect the redemption profile of the Offered Notes and may cause the weighted average lives of the Offered Notes to differ (which difference could be material) from the figures in the tables for each indicated scenario.

<b>Weighted Average Life of Class A1 Note (years)</b>				
<b>Change in RPI (versus Base Case)</b>	<b>Nominal Earnings Growth (versus Base Vase)</b>			
		<b>-1.0%</b>	<b>0.0%</b>	<b>1.0%</b>
	<b>-1.0%</b>	2.97	2.89	2.81
	<b>0.0%</b>	3.03	2.93	2.85
	<b>1.0%</b>	3.09	2.97	2.89

<b>Weighted Average Life of Class A2 Note (years)</b>				
<b>Change in RPI (versus Base Case)</b>	<b>Nominal Earnings Growth (versus Base Vase)</b>			
		<b>-1.0%</b>	<b>0.0%</b>	<b>1.0%</b>
	<b>-1.0%</b>	11.54	11.54	11.54
	<b>0.0%</b>	11.54	11.54	11.54
	<b>1.0%</b>	11.54	11.54	11.54

<b>Weighted Average Life of Class B Note (years)</b>				
<b>Change in RPI (versus Base Case)</b>	<b>Nominal Earnings Growth (versus Base Vase)</b>			
		<b>-1.0%</b>	<b>0.0%</b>	<b>1.0%</b>
	<b>-1.0%</b>	13.03	11.83	10.86
	<b>0.0%</b>	14.15	12.52	11.37
	<b>1.0%</b>	16.00	13.67	12.16

## UNITED KINGDOM TAXATION

*The comments below are of a general nature and should be treated with appropriate caution. They are not, and do not purport to constitute, legal or tax advice.*

*The comments are based on the Issuer's understanding of current United Kingdom tax law and the published practice of HMRC as at the date of this Prospectus and are subject to changes therein sometimes with retrospective effect. They summarise certain aspects of current United Kingdom withholding tax treatment of payments of principal and interest in respect of the Notes but do not deal with other United Kingdom taxation aspects of acquiring, holding or disposing of the Notes. In particular, they relate only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain classes of taxpayers (such as dealers and persons connected with the Issuer). The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. The comments are made on the assumption that there will be no substitution of the Issuer and do not consider the tax consequences of any such substitution.*

*Prospective 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, whether or not such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

*Prospective Noteholders who are in any doubt as to their tax position or who may be liable to taxation in any jurisdiction other than the United Kingdom should consult their own professional advisers.*

### Interest on the Notes

#### Payment of interest on the Notes

Payments of interest on the Offered Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Offered Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "**Income Tax Act**"). The London Stock Exchange is a recognised stock exchange for such purposes. Securities will be treated as listed on the London Stock Exchange if they are listed and admitted to trading by the Main Market of the London Stock Exchange. Provided, therefore, that the Offered Notes remain so listed, interest on the Offered Notes will be payable without withholding or deduction on account of United Kingdom tax (the "**Quoted Eurobond Exemption**").

Payments of interest on the Class X Notes will generally be subject to withholding on account of United Kingdom income tax at the basic rate (currently 20%) unless one of the exemptions described below applies.

Interest on the Notes may be paid without withholding or deduction on account of United Kingdom tax where at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the person beneficially entitled to the interest is (i) a company resident in the United Kingdom; (ii) a company not resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account the interest in computing its United Kingdom taxable profits; or (iii) a partnership each member of which is a company referred to in (i) or (ii) above or a combination of companies referred to in (i) or (ii) above, as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid after deduction of tax.

Apart from those instances outlined above and any other exceptions in section 888A or sections 933 to 937 of the Income Tax Act, in other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to

the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The Issuer shall make payments of interest on the Class X Notes to a Class X Noteholder net of any Tax Deduction, unless the Class X Noteholder has provided the Issuer and the Principal Paying Agent with a Noteholder Tax Certificate (enclosing a copy of the Gross Payment Direction, where applicable) on or before the Tax Record Date and the Principal Paying Agent has confirmed (in accordance with Clause 6.4 (*Certification and Noteholder Tax Certificates*) of the Agency Agreement) that such Noteholder Tax Certificate has been accepted and that interest in respect of the relevant Class X Notes can be paid without a Tax Deduction on the relevant Distribution Date (provided that none of the other circumstances set out in Clause 5.2(c)(iv) (*Withholding tax*) of the relevant Class X Note Purchase Agreement (or the equivalent provisions of the relevant Class X Note Investor Representation Letter) apply). For the avoidance of doubt, a Noteholder Tax Certificate relates only to the Distribution Date specified therein and a new Noteholder Tax Certificate must be provided on or before each Tax Record Date in relation to the relevant Distribution Date.

HMRC has powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

#### **Stamp duty and SDRT**

No United Kingdom stamp duty or SDRT will be payable on the issue or transfer of the Offered Notes or on any agreement to transfer these Notes.

As the Class X Notes (other than any Class X Notes subscribed for by the Seller and/or its Affiliates) will initially be subscribed for by the Placement Agents and then on-sold to the Class X Note Purchasers, the transfer by the Placement Agents to each Class X Note Purchaser pursuant to the relevant Class X Note Purchase Agreement will be subject to stamp duty/SDRT at the rate of 0.5% on the chargeable consideration or consideration in money or money's worth (as applicable) payable by the relevant Class X Note Purchaser (which will be borne and paid to HMRC by the Issuer in accordance with the terms of the Class X Note Purchase Agreements). See the section entitled in "*Summary of the Key Transaction Documents – Each Class X Note Purchase Agreement – Stamp duty*". Future transfers of the Class X Notes will be subject to stamp duty/SDRT at the rate of 0.5% on the chargeable consideration or consideration in money or money's worth (as applicable), payable by the transferee.

Neither the initial purchase of the Class X Notes by the Class X Note Purchasers from the Placement Agents pursuant to the Class X Note Purchase Agreements nor any other transfer of a Definitive Note representing Class X Notes will be entered on the Register unless and until the Registrar receives a duly stamped transfer in respect of the relevant Class X Notes (such transfer to be stamped by HMRC at the request and cost of (1) in respect of an Initial Transfer, the Issuer and (2) in respect of any other transfer, the transferee). The duly executed Initial Transfers and any duly executed transfer certificate relating to the Class X Notes (in the form endorsed on the Definitive Note representing Class X Notes) will need to be submitted to HMRC for stamping. In accordance with the current practice of HMRC, it may take a number of weeks after payment of the stamp duty and submission of the executed Initial Transfer or transfer certificate (as applicable) for such document to be returned duly stamped by HMRC. Until the relevant Initial Transfer or transfer certificate (as applicable) is duly stamped and returned by HMRC and submitted to the Registrar, the relevant Class X Note Purchaser or transferee (as applicable) will not appear as Class X Noteholder on the Register and will not be able to transfer title to the relevant Class X Note until it is registered as holder of such Class X Note in the Register.

## US FOREIGN ACCOUNT TAX COMPLIANCE WITHHOLDING

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer will not be a foreign financial institution (it will be a passive non-financial foreign entity) for these purposes.

A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions.

Under the provisions of IGAs as currently in effect, a passive non-financial foreign entity in an IGA jurisdiction is required to disclose any substantial US owners and provide basic information about those US owners in order to receive payments without FATCA withholding.

Even if the Issuer were to be a foreign financial institution, it would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

### Subscription of the Offered Notes

Pursuant to the Subscription Agreement, the Joint Lead Managers have agreed, subject to certain conditions, to subscribe and make payment for, or procure subscription of and payment for, the Offered Notes. The Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Offered Notes.

In the Subscription Agreement, each of the Seller and the Issuer has made certain representations and warranties in respect of its legal and financial matters. The Issuer and the Seller have agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Offered Notes.

The Subscription Agreement entitles the Joint Lead Managers to terminate their obligations thereunder in certain circumstances prior to payment of the purchase price for the Offered Notes.

The Joint Lead Managers may or may not sell any or all of the Offered Notes to subsequent investors in individually negotiated transactions at negotiated prices which may or may not vary among different investors and which may be greater or less than the issue price of the Offered Notes.

The Notes offered and sold in this offering may not be purchased by, or for the account or benefit of, any "U.S. persons" as defined in the U.S. Risk Retention Rules ("**Risk Retention U.S. Persons**"). Notwithstanding the foregoing, the Seller may agree that a portion of the Notes may be sold to, or for the account or benefit of, Risk Retention U.S. Persons in accordance with the exemption under Section \_\_.20 of the U.S. Risk Retention Rules.

### Selling Restrictions

#### *United States of America and its territories*

The Offered Notes 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 except in accordance with Regulation S or pursuant to any other exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented and agreed that it has not offered and sold the Offered Notes, and will not offer and sell the Offered Notes (i) as part of their distribution at any time and (ii) otherwise until 40 calendar days after the completion of the distribution of all Offered Notes, except in accordance with Rule 903 of Regulation S promulgated under the Securities Act. Neither the Joint Lead Managers or their respective affiliates nor any persons acting on the Joint Lead Managers' or their respective affiliates' behalf have engaged or will engage in any directed selling efforts with respect to the Offered Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. At or prior to confirmation of sale of Offered Notes, the Joint Lead Managers will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Offered Notes from them during the restricted period a confirmation or notice to substantially to the following effect:

**"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (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 (x) as part of their distribution at any time or (y) otherwise until 40 calendar days after the completion of the distribution of the Securities, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S under the Securities Act."**

In addition, until 40 calendar days after the commencement of the offering, an offer or sale of the Offered Notes of any Class within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Terms used above in this selling restriction have the meanings given to them by Regulation S under the Securities Act.



### *United Kingdom*

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")), received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Offered Notes in, from or otherwise involving the United Kingdom.

As used herein, "United Kingdom" means the United Kingdom of Great Britain and Northern Ireland.

### *Public Offers Generally*

Other than the approval of the Prospectus by the UK Listing Authority, the filing of the Prospectus with the UK Listing Authority and making the Prospectus available to the public in accordance with the Prospectus Rules, no action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering materials, in any country or jurisdiction where action for that purpose is required. The Notes are not intended for investment by retail investors and this Prospectus has not been prepared for distribution to retail investors. No document has been prepared in relation to the Class X Notes that would constitute a prospectus for the purposes of the Prospectus Directive.

### *General*

All applicable laws and regulations must be observed in any jurisdiction in which any of the Offered Notes may be offered, sold or delivered. Each Joint Lead Manager has agreed that it will not offer, sell or deliver any of the Offered Notes, directly or indirectly, or distribute this Prospectus or any other offering materials relating to the Offered Notes, in or from any jurisdiction except under circumstances that will to the best knowledge and belief of the Joint Lead Manager result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on the Issuer except as set out in the Subscription Agreement. Notwithstanding the foregoing, none of the Arranger, the Joint Lead Managers, the Placement Agents or the Joint Bookrunners will have any liability or owe any responsibility to the Issuer or the Seller or any other person for compliance by the Issuer or the Seller with the U.S. Risk Retention Rules.

### **U.S. Risk Retention - Investor Representation**

Each purchaser of Notes or a beneficial interest in Notes in the initial distribution of the Notes (other than the Placement Agents, the Arranger, the Joint Lead Managers and the Joint Bookrunners) will be deemed to, and in certain circumstances (including as a condition to placing an order to purchase Notes) will be required to, represent and agree that: (1) it is not a Risk Retention U.S. Person and is not acquiring the Notes (or a beneficial interest therein) for the account or benefit of Risk Retention U.S. Persons, (2) it is not acquiring such Notes (or a beneficial interest therein) with a view to distribution of such Notes, and (3) it is not acquiring such Notes or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules described above). Notwithstanding the foregoing, the Seller may agree that a portion of the Notes may be sold to, or for the account or benefit of, Risk Retention U.S. Persons in accordance with the exemption under Section \_\_.20 of the U.S. Risk Retention Rules and such Risk Retention U.S. Persons to whom such Notes are sold, or for whose account or benefit such Notes are sold, will not be deemed or required to make the representations in (1) and (3) above.

## GENERAL INFORMATION

1. Application has been made to the UK Listing Authority for the Offered Notes to be admitted to the Official List. Application will also be made to the London Stock Exchange for the Offered Notes to be admitted to trading on its regulated market. The total expenses related to the admission to trading of the Notes are expected to be £6,200. It is expected that admission to listing and trading will be granted on or about 13 December 2017, subject only to the issue of the Global Notes. The listing of the Offered Notes will be cancelled if the Global Notes are not issued.
2. Although no assurance is made as to the liquidity of the Offered Notes as a result of the listing on the Official List of the UK Listing Authority.
3. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), since 1 February 2017 (being the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer.
4. No statutory or non-statutory accounts within the meaning of Section 434 of the Companies Act 2006 in respect of any financial year of the Issuer have been prepared. So long as the Offered Notes are listed on the Official List of the UK Listing Authority and are trading on the London Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time shall be available at the Specified Office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
5. Since 1 February 2017 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.
6. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
7. Since its date of incorporation, the Issuer has not commenced operations and no financial statements have been made as of the date of this Prospectus.
8. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 7 December 2017.
9. The Offered Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Codes:

<b>Class of Notes</b>	<b>ISIN</b>	<b>Common Code</b>
Class A1	XS1722900518	172290051
Class A2	XS1722900864	172290086
Class B	XS1722900948	172290094

10. From the date of this Prospectus and for so long as the Offered Notes are admitted to the Official List, copies of the following documents in physical or electronic form may be inspected, upon reasonable notice, at the registered offices of the Issuer, the Registrar and the Principal Paying Agent during usual business hours, on any weekday (public holidays excepted):
  - (a) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus;
  - (b) the Memorandum and Articles of Association of the Issuer;
  - (c) the Corporate Services Agreement;

- (d) the Loan Sale Agreement;
- (e) the Master Servicing Agreement;
- (f) the Note Trust Deed;
- (g) the Deed of Charge;
- (h) the Agency Agreement;
- (i) the Cash Management Agreement;
- (j) the Issuer Bank Account Agreement;
- (k) the Issuer Power of Attorney; and
- (l) the Master Definitions and Construction Agreement.

Copies of the above documents will also be made available via the Cash Manager's website currently located at <https://sf.citidirect.com>. The website does not form part of the information provided for the purposes of this Prospectus and disclaimers may be posted with respect to the information posted thereon. Registration may be required for access to such website.

11. Each annual Investor Report will be made available to the relevant Noteholders via the Cash Manager's internet website currently located at <https://sf.citidirect.com>. The Cash Manager's website does not form part of the information provided for the purposes of this Prospectus and disclaimers may be posted with respect to the information posted thereon. Registration may be required for access to such website and persons wishing to access such website may be required to certify that they are Noteholders, potential Noteholders or otherwise entitled to access such website.
12. Post issuance information will be made available by or on behalf of the Issuer in relation to each Transferred Loan. Such information will be accessible via the following website, subject to the terms set out therein: <https://sf.citidirect.com>. The website will be updated by or on behalf of the Issuer on an annual basis by no later than each Distribution Date. The website and the contents thereof do not form part of this Prospectus.
13. Other than as outlined in paragraphs 10 and 11 above, the Issuer does not intend to provide post-issuance transaction information regarding the Offered Notes or the Transferred Loans.
14. The Issuer confirms that the assets backing the issue of the Offered Notes, taken together with the other arrangements to be entered into by the Issuer on the Note Issuance Date (including those described in the section of this Prospectus entitled "*Credit Structure*" above), have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Offered Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Offered Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

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**ANNEX 1**

**FORM OF INVESTOR REPORT**

<b>Investor Report</b>		 Department for Education	
<b>Income Contingent Student Loans 1 (2002-2006) PLC</b>			
<b>Report Date</b>	[xx July 20xx]		
<hr/>			
Report Frequency	Annual		
Date of Sale	[DATE]		
Beginning of Accounts Period	[1st April 20xx]		
End of Accounts Period	[31st March 20xx]		
Accounts Period	20xx/ 20xx		
Days in interest period	[NUMBER OF DAYS]		
Distribution Date	[xx July 20xx]		
Next Distribution Date	[xx July 20xx]		
Quarters since Issue	[TBD]		
<hr/>			
<b>Transaction Parties</b>			
Issuer		Income Contingent Student Loans 1 (2002-2006) PLC	
Seller		Secretary of State	
Master Servicer		Secretary of State	
Cash Manager		Citibank N.A., London Branch	
Issuer Account Bank		Citibank N.A., London Branch	
Note Trustee		Citicorp Trustee Company Limited	
Security Trustee		Citicorp Trustee Company Limited	
Corporate Services Provider		Intertrust Management Limited	
Principal Paying Agent		Citibank N.A., London Branch	
Joint Lead Managers		Barclays Bank PLC	
		J.P. Morgan Securities plc	
		Lloyds Bank plc	
		Credit Suisse Securities (Europe) Ltd	
<hr/>			
<b>Key Contacts</b>			
Name	Role	Email	Telephone
[TBD]	[TBD]	[TBD]	[TBD]
[TBD]	[TBD]	[TBD]	[TBD]
[TBD]	[TBD]	[TBD]	[TBD]
[TBD]	[TBD]	[TBD]	[TBD]
<hr/>			
<b>Notes</b>			
<p>In its capacity as originator, the Secretary of State for Education complies with the retention requirement of a material net economic interest in accordance with Article 405(1)(c) of Article 405 of the CRR, Article 51(1)(c) of the AIFM Regulation and Article 254(2)(c) of the Solvency II Regulation. By adhering to option (c), the Secretary of State for Education will keep the exposures designated for retention on its balance sheet on an on-going basis.</p>			
[INSERT APPROPRIATE DISCLAIMER]			

**Pool Summary**

**Date of Reference Pool**

**31st March 2015**

**Date of sale (Reference Pool as at 31st March 2015)**

	31st March 2015						Date of sale (Reference Pool as at 31st March 2015)					
	Full Pool	2002 Cohort	2003 Cohort	2004 Cohort	2005 Cohort	2006 Cohort	Full Pool	2002 Cohort	2003 Cohort	2004 Cohort	2005 Cohort	2006 Cohort
Number of Loans												
Number of Borrowers												
Current Balance (£)												
Original Balance (£)												
Average Loan Current Balance (£)												
Average Loan Original Balance (£)												
Average Borrower Current Balance (£) <sup>2</sup>												
Average Borrower Original Balance (£) <sup>2</sup>												
Average Income by Gender (£) <sup>3</sup>												
Weighted Average Term to Maturity (Borrower Reaches Age of 65) <sup>4</sup>												
Weighted Average Seasoning of the loans (Years since SRDD) <sup>5</sup>												
Weighted Average Borrower Age (Years) <sup>6</sup>												
Weighted Average Income of PAYE and SA Customers (£) <sup>7</sup>												
Weighted Average Income of PAYE and SA Customers (Made Repayment in 2014/2015 Tax Year) (£) <sup>7</sup>												
Top 3 Regional Concentration (Name and %, by value) <sup>8</sup>												

**Notes**

1. A cohort is defined by reference to the latest statutory repayment due date ("SRDD") of a borrower based on the SRDD of the individual loans
2. The average borrower balance for each cohort is calculated as [Current balance] or [Original balance] / [Number of borrowers]
3. The average income by gender for each cohort is calculated as [Total female income in 2014/15] / [Number of female borrowers with income greater than zero] or [Total male income in 2014/15] / [Number of male borrowers with income greater than zero]
4. Weighted Average Term to Maturity (Borrower reaches Age of 65) is calculated as the difference between the date (month) a borrower reaches 65 years of age and 31st March 2015, weighted by borrower current balance
5. Number of years since Statutory Repayment Due Date ("SRDD"), weighted by current loan amount balance (this is at borrower level based on most recent SRDD)
6. Weighted Average Borrower Age is calculated by weighting individual borrower's age against borrower's current loan balance
7. Weighted average is the average of PAYE and SA income in 2014/15 tax year weighted by current balance - only relates to borrowers with a 2014/15 income greater than zero. The weighted average earnings are likely to skew towards borrowers with higher current balance who have lower earnings and repaid less historically
8. The borrower's region is based on last known home address of borrower notified to SLC and may not necessarily reflect the address at the time of application and only represents latest information received by SLC

**Stratification tables**

Date of Reference Pool

31st March 2016

**Cohort**

2002  
2003  
2004  
2005  
2006

**Aggregate Current Balance (£) % of Total Number of borrowers % of Total**

0 0.0% 0 0.0%

**Full Pool**

**1 Current Balance (per Borrower)**

< £2,000  
=> £2,000 and < £4,000  
=> £4,000 and < £6,000  
=> £6,000 and < £8,000  
=> £8,000 and < £10,000  
=> £10,000 and < £12,000  
=> £12,000 and < £14,000  
=> £14,000 and < £16,000  
=> £16,000 and < £18,000  
=> £18,000 and < £20,000  
=> £20,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

< £2,000  
=> £2,000 and < £4,000  
=> £4,000 and < £6,000  
=> £6,000 and < £8,000  
=> £8,000 and < £10,000  
=> £10,000 and < £12,000  
=> £12,000 and < £14,000  
=> £14,000 and < £16,000  
=> £16,000 and < £18,000  
=> £18,000 and < £20,000  
=> £20,000

0 0.0% 0 0.0%

**2 Original Balance (per Borrower)**

< £2,000  
=> £2,000 and < £4,000  
=> £4,000 and < £6,000  
=> £6,000 and < £8,000  
=> £8,000 and < £10,000  
=> £10,000 and < £12,000  
=> £12,000 and < £14,000  
=> £14,000 and < £16,000  
=> £16,000 and < £18,000  
=> £18,000 and < £20,000  
=> £20,000

**Aggregate Original Balance % of Total Number of Borrowers % of Total**

< £2,000  
=> £2,000 and < £4,000  
=> £4,000 and < £6,000  
=> £6,000 and < £8,000  
=> £8,000 and < £10,000  
=> £10,000 and < £12,000  
=> £12,000 and < £14,000  
=> £14,000 and < £16,000  
=> £16,000 and < £18,000  
=> £18,000 and < £20,000  
=> £20,000

0 0.0% 0 0.0%

**3 Type of Loan**

Maintenance loan (SS)<sup>1</sup>  
Transitional loan (TL)<sup>1</sup>  
Tuition fee loan (FL)<sup>1</sup>  
Part time maintenance loan (PT)<sup>1</sup>

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

SS  
TL  
FL  
PT

0 0.0% 0 0.0%

**4 Type of Repayment (per Borrower) in 2015/16 Accounts Period<sup>2</sup>**

PAYE only  
SA only  
Direct to SLC only<sup>3</sup>  
PAYE & SA  
PAYE & Direct to SLC  
PAYE, SA & Direct to SLC  
SA & Direct to SLC  
Voluntary only<sup>4</sup>  
Voluntary & PAYE  
Voluntary & SA  
Voluntary, PAYE & SA  
Voluntary, PAYE & Direct to SLC  
Voluntary, SA & Direct to SLC  
Voluntary & Direct to SLC  
Voluntary, PAYE, SA, Direct to SLC  
No repayments

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

PAYE only  
SA only  
Direct to SLC only  
PAYE & SA  
PAYE & Direct to SLC  
PAYE, SA & Direct to SLC  
SA & Direct to SLC  
Voluntary only  
Voluntary & PAYE  
Voluntary & SA  
Voluntary, PAYE & SA  
Voluntary, PAYE & Direct to SLC  
Voluntary, SA & Direct to SLC  
Voluntary & Direct to SLC  
Voluntary, PAYE, SA, Direct to SLC  
No repayments

0 0.0% 0 0.0%

**5 Repayment Status as of 31st March 2016**

Made repayment in 2015/2016 receipts period<sup>5</sup>  
No repayment made in 2015/2016 receipts period

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

MADE REPAYMENT IN TAX YEAR  
NO REPAYMENT MADE IN TAX YEAR

0 0.0% 0 0.0%

**6 Repayment Status (Overseas & Non-Overseas)**

UK repaying - earnings equal to the repayment threshold or above  
UK repaying - earnings below the repayment threshold (and above £0)  
UK repaying - no earnings reported to SLC  
UK not repaying - earnings equal to the repayment threshold or above  
UK not repaying - earnings below the repayment threshold (and above £0)  
UK not repaying - no earnings reported to SLC  
Overseas repaying  
Overseas not repaying

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

UK repaying - earnings equal to the repayment threshold or above  
UK repaying - earnings below the repayment threshold (and above £0)  
UK repaying - no earnings reported to SLC  
UK not repaying - earnings equal to the repayment threshold or above  
UK not repaying - earnings below the repayment threshold (and above £0)  
UK not repaying - no earnings reported to SLC  
Overseas Repaying  
Overseas Not Repaying

0 0.0% 0 0.0%

**7 First Repayment (number of years after SRDD date when the first repayment was made)<sup>6</sup>**

On SRDD or earlier than SRDD<sup>7</sup>  
> 0 and <= 1 years  
> 1 and <= 2 years  
> 2 and <= 3 years  
> 3 and <= 4 years  
> 4 and <= 5 years  
> 5 years  
Never Repaid

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

On SRDD or earlier than SRDD  
> 0 and <= 1 years  
> 1 and <= 2 years  
> 2 and <= 3 years  
> 3 and <= 4 years  
> 4 and <= 5 years  
> 5 years  
Never Repaid

0 0.0% 0 0.0%

**8 Tax Years since Last Repayment<sup>8</sup>**

> 0 and <= 1 years  
 > 1 and <= 2 years  
 > 2 and <= 3 years  
 > 3 and <= 5 years  
 > 5 and <= 10 years  
 > 10 years  
 Never repaid

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
> 0 and <= 1 years			
> 1 and <= 2 years			
> 2 and <= 3 years			
> 3 and <= 5 years			
> 5 and <= 10 years			
> 10 years			
Never repaid			
0	0.0%	0	0.0%

**9 Last Repayment Amount**

< £1,000  
 >= £1,000 and < £2,000  
 >= £2,000 and < £3,000  
 >= £3,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
< £1,000			
>= £1,000 and < £2,000			
>= £2,000 and < £3,000			
>= £3,000			
0	0.0%	0	0.0%

**10 Gender**

Male  
 Female

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
M			
F			
0	0.0%	0	0.0%

**11 Income Bracket**

**For female borrowers:**

< £10,000  
 >= £10,000 and < £13,000  
 >= £13,000 and < £17,775  
 >= £17,775 and < £20,000  
 >= £20,000 and < £22,000  
 >= £22,000 and < £25,000  
 >= £25,000 and < £28,000  
 >= £28,000 and < £32,000  
 >= £32,000 and < £36,000  
 >= £36,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
< £10,000			
>= £10,000 and < £13,000			
>= £13,000 and < £17,775			
>= £17,775 and < £20,000			
>= £20,000 and < £22,000			
>= £22,000 and < £25,000			
>= £25,000 and < £28,000			
>= £28,000 and < £32,000			
>= £32,000 and < £36,000			
>= £36,000			
0	0.0%	0	0.0%

**For male borrowers:**

< £10,000  
 >= £10,000 and < £13,000  
 >= £13,000 and < £17,775  
 >= £17,775 and < £20,000  
 >= £20,000 and < £22,000  
 >= £22,000 and < £25,000  
 >= £25,000 and < £28,000  
 >= £28,000 and < £32,000  
 >= £32,000 and < £36,000  
 >= £36,000

< £10,000			
>= £10,000 and < £13,000			
>= £13,000 and < £17,775			
>= £17,775 and < £20,000			
>= £20,000 and < £22,000			
>= £22,000 and < £25,000			
>= £25,000 and < £28,000			
>= £28,000 and < £32,000			
>= £32,000 and < £36,000			
>= £36,000			
0	0.0%	0	0.0%

**12 Income Bracket (for borrowers who made a repayment in last receipts period)**

**For female borrowers:**

< £10,000  
 >= £10,000 and < £13,000  
 >= £13,000 and < £17,775  
 >= £17,775 and < £20,000  
 >= £20,000 and < £22,000  
 >= £22,000 and < £25,000  
 >= £25,000 and < £28,000  
 >= £28,000 and < £32,000  
 >= £32,000 and < £36,000  
 >= £36,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
< £10,000			
>= £10,000 and < £13,000			
>= £13,000 and < £17,775			
>= £17,775 and < £20,000			
>= £20,000 and < £22,000			
>= £22,000 and < £25,000			
>= £25,000 and < £28,000			
>= £28,000 and < £32,000			
>= £32,000 and < £36,000			
>= £36,000			
0	0.0%	0	0.0%

**For male borrowers:**

< £10,000  
 >= £10,000 and < £13,000  
 >= £13,000 and < £17,775  
 >= £17,775 and < £20,000  
 >= £20,000 and < £22,000  
 >= £22,000 and < £25,000  
 >= £25,000 and < £28,000  
 >= £28,000 and < £32,000  
 >= £32,000 and < £36,000  
 >= £36,000

< £10,000			
>= £10,000 and < £13,000			
>= £13,000 and < £17,775			
>= £17,775 and < £20,000			
>= £20,000 and < £22,000			
>= £22,000 and < £25,000			
>= £25,000 and < £28,000			
>= £28,000 and < £32,000			
>= £32,000 and < £36,000			
>= £36,000			
0	0.0%	0	0.0%

**13 Age of Borrower (as at March 2016)**

<=21 years  
 >21 and <= 25 years  
 >25 and <= 30 years  
 >30 and <= 35 years  
 >35 and <= 40 years  
 >40 and <= 45 years  
 >45 and <= 50 years  
 >50 and <= 55 years  
 >55 and <= 60 years  
 >60 and <= 65 years  
 >65 years

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
<=21 years			
>21 and <= 25 years			
>25 and <= 30 years			
>30 and <= 35 years			
>35 and <= 40 years			
>40 and <= 45 years			
>45 and <= 50 years			
>50 and <= 55 years			
>55 and <= 60 years			
>60 and <= 65 years			
>65 years			
0	0.0%	0	0.0%

	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
<b>14 Region of Residence</b> <sup>9</sup>				
Greater London	Greater London			
North West	North West			
South East	South East			
Yorkshire and Humberside	Yorkshire and Humberside			
South West	South West			
West Midlands	West Midlands			
East Anglia	East Anglia			
East Midlands	East Midlands			
North East	North East			
Scotland	Scotland			
Wales	Wales			
Northern Ireland	Northern Ireland			
Channel Islands	Channel Islands			
Isle of Man	Isle of Man			
not available <sup>10</sup>	Not Available			
	0	0.0%	0	0.0%
<b>15 Overseas borrowers</b>				
Overseas borrowers <sup>11</sup>	Overseas Borrowers			
Not overseas borrowers	Not Overseas Borrowers			
	0	0.0%	0	0.0%
<b>16 Country of Birth</b>				
UK	UK			
EU excl. UK	EU excl. UK			
Overseas (not in the EU or UK)	Overseas (not in the EU or UK)			
not available <sup>12</sup>	not available			
	0	0.0%	0	0.0%
<b>17 Course Level</b> <sup>13</sup>				
Undergraduate / First degree				
Postgraduate / PGCE				
Other				
	0	0.0%	0	0.0%
<b>18 Course Type</b>				
BA/BSc degree	BA/BSc degree			
BA Law	BA Law			
BA/BSc Medicine <sup>14</sup>	BA/BSc Medicine			
HND/HNC <sup>15</sup>	HND/HNC			
PGCE or equivalent <sup>16</sup>	PGCE or equivalent			
MAMSc	MAMSc			
Foundation degree	Foundation degree			
Other (certificates and diplomas)	Other (certificates and diplomas)			
	0	0.0%	0	0.0%
<b>19 Length of Course</b>				
1 year	1			
2 years	2			
3 years	3			
4 years	4			
5 years	5			
>5 years	> 5 Years			
not available <sup>17</sup>	not available			
	0	0.0%	0	0.0%
<b>20 Course Completion Status</b>				
Completed course	Completed Course			
Did not complete course <sup>18</sup>	Did Not Complete Course			
	0	0.0%	0	0.0%
<b>21 Education Establishment Type</b> <sup>19</sup>				
Higher Education Institution (HEI)				
Further Education College (FEC)				
Alternative Provider				
	0	0.0%	0	0.0%
<b>22 University ranking</b> <sup>20</sup>				
Top 20	Top 20			
Top 21-30	Top 21 - 30			
Top 31-40	Top 31 - 40			
Top 41-50	Top 41 - 50			
Not in top 50	Not in top 50			
Other <sup>21</sup>	Other			
	0	0.0%	0	0.0%

2002 Cohort				
<b>1 Current Balance (per Borrower)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>2 Original Balance (per Borrower)</b>	<b>Aggregate Current Balance</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>3 Type of Loan</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Maintenance loan (SS)				
Transitional loan (TL)				
Tuition fee loan (FL)				
Part time maintenance loan (PT)				
	0	0.0%	0	0.0%
<b>4 Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only				
SA only				
Direct to SLC only				
PAYE & SA				
PAYE & Direct to SLC				
PAYE, SA & Direct to SLC				
SA & Direct to SLC				
Voluntary only				
Voluntary & PAYE				
Voluntary & SA				
Voluntary, PAYE & SA				
Voluntary, PAYE & Direct to SLC				
Voluntary, SA & Direct to SLC				
Voluntary & Direct to SLC				
Voluntary, PAYE, SA, Direct to SLC				
No repayments				
	0	0.0%	0	0.0%
<b>5 Repayment Status as of 31st March 2016</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Made repayment in 2015/2016 receipts period				
No repayment made in 2015/2016 receipts period				
	0	0.0%	0	0.0%
<b>6 Repayment Status (Overseas &amp; Non-Overseas)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK repaying - earnings equal to the repayment threshold or above				
UK repaying - earnings below the repayment threshold (and above £0)				
UK repaying - no earnings reported to SLC				
UK not repaying - earnings equal to the repayment threshold or above				
UK not repaying - earnings below the repayment threshold (and above £0)				
UK not repaying - no earnings reported to SLC				
Overseas repaying				
Overseas not repaying				
	0	0.0%	0	0.0%
<b>7 First Repayment (number of years after SRDD date when the first repayment was made)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
on SRDD or earlier than SRDD				
> 0 and <= 1 years				
> 1 and <= 2 years				
> 2 and <= 3 years				
> 3 and <= 4 years				
> 4 and <= 5 years				
> 5 years				
Never Repaid				
	0	0.0%	0	0.0%

**8 Years since Last Repayment**

- > 0 and <= 1 years
- > 1 and <= 2 years
- > 2 and <= 3 years
- > 3 and <= 5 years
- > 5 and <= 10 years
- > 10 years
- Never repaid

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

0 0.0% 0 0.0%

**9 Last Repayment Amount**

- < £1,000
- >= £1,000 and < £2,000
- >= £2,000 and < £3,000
- >= £3,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

0 0.0% 0 0.0%

**10 Gender**

- Male
- Female

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

0 0.0% 0 0.0%

**11 Income Bracket**

**For female borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

0 0.0% 0 0.0%

**For male borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

0 0.0% 0 0.0%

**12 Income Bracket (for borrowers who made a repayment in last receipts period)**

**For female borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

0 0.0% 0 0.0%

**For male borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

0 0.0% 0 0.0%

**13 Age of Borrower (as at March 2016)**

- <=21 years
- >21 and <= 25 years
- >25 and <= 30 years
- >30 and <= 35 years
- >35 and <= 40 years
- >40 and <= 45 years
- >45 and <= 50 years
- >50 and <= 55 years
- >55 and <= 60 years
- >60 and <= 65 years
- >65 years

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

0 0.0% 0 0.0%

	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
<b>14 Region of Residence</b>				
Greater London				
North West				
South East				
Yorkshire and Humberside				
South West				
West Midlands				
East Anglia				
East Midlands				
North East				
Scotland				
Wales				
Northern Ireland				
Channel Islands				
Isle of Man				
not available				
	0	0.0%	0	0.0%
<b>15 Overseas borrowers</b>				
Overseas borrowers				
Not overseas borrowers				
	0	0.0%	0	0.0%
<b>16 Country of Birth</b>				
UK				
EU excl. UK				
Overseas (not in the EU or UK)				
not available				
	0	0.0%	0	0.0%
<b>17 Course Level</b>				
Undergraduate / First degree				
Postgraduate / PGCE				
Other				
	0	0.0%	0	0.0%
<b>18 Course Type</b>				
BA/BSc degree				
BA Law				
BA/BSc Medicine				
HND/HNC				
PGCE or equivalent				
MA/MSc				
Foundation degree				
Other (certificates and diplomas)				
	0	0.0%	0	0.0%
<b>19 Length of Course</b>				
1 year				
2 years				
3 years				
4 years				
5 years				
>5 years				
not available				
	0	0.0%	0	0.0%
<b>20 Course Completion Status</b>				
Completed course				
Did not complete course				
	0	0.0%	0	0.0%
<b>21 Education Establishment Type</b>				
Higher Education Institution (HEI)				
Further Education College (FEC)				
Alternative Provider				
	0	0.0%	0	0.0%
<b>22 University ranking</b>				
Top 20				
Top 21-30				
Top 31-40				
Top 41-50				
Not in top 50				
Other				
	0	0.0%	0	0.0%



2003 Cohort				
<b>1 Current Balance (per Borrower)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>2 Original Balance (per Borrower)</b>	<b>Aggregate Current Balance</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>3 Type of Loan</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Maintenance loan (SS)				
Transitional loan (TL)				
Tuition fee loan (FL)				
Part time maintenance loan (PT)				
	0	0.0%	0	0.0%
<b>4 Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only				
SA only				
Direct to SLC only				
PAYE & SA				
PAYE & Direct to SLC				
PAYE, SA & Direct to SLC				
SA & Direct to SLC				
Voluntary only				
Voluntary & PAYE				
Voluntary & SA				
Voluntary, PAYE & SA				
Voluntary, PAYE & Direct to SLC				
Voluntary, SA & Direct to SLC				
Voluntary & Direct to SLC				
Voluntary, PAYE, SA, Direct to SLC				
No repayments				
	0	0.0%	0	0.0%
<b>5 Repayment Status as of 31st March 2016</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Made repayment in 2015/2016 receipts period				
No repayment made in 2015/2016 receipts period				
	0	0.0%	0	0.0%
<b>6 Repayment Status (Overseas &amp; Non-Overseas)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK repaying - earnings equal to the repayment threshold or above				
UK repaying - earnings below the repayment threshold (and above £0)				
UK repaying - no earnings reported to SLC				
UK not repaying - earnings equal to the repayment threshold or above				
UK not repaying - earnings below the repayment threshold (and above £0)				
UK not repaying - no earnings reported to SLC				
Overseas repaying				
Overseas not repaying				
	0	0.0%	0	0.0%
<b>7 First Repayment (number of years after SRDD date when the first repayment was made)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
on SRDD or earlier than SRDD				
> 0 and <= 1 years				
> 1 and <= 2 years				
> 2 and <= 3 years				
> 3 and <= 4 years				
> 4 and <= 5 years				
> 5 years				
Never Repaid				
	0	0.0%	0	0.0%

**8 Years since Last Repayment**

- > 0 and <= 1 years
- > 1 and <= 2 years
- > 2 and <= 3 years
- > 3 and <= 5 years
- > 5 and <= 10 years
- > 10 years
- Never repaid

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**9 Last Repayment Amount**

- < £1,000
- >= £1,000 and < £2,000
- >= £2,000 and < £3,000
- >= £3,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**10 Gender**

- Male
- Female

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**11 Income Bracket**

**For female borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**For male borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

0	0.0%	0	0.0%
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**12 Income Bracket (for borrowers who made a repayment in last receipts period)**

**For female borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**For male borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

0	0.0%	0	0.0%
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**13 Age of Borrower (as at March 2016)**

- <= 21 years
- > 21 and <= 25 years
- > 25 and <= 30 years
- > 30 and <= 35 years
- > 35 and <= 40 years
- > 40 and <= 45 years
- > 45 and <= 50 years
- > 50 and <= 55 years
- > 55 and <= 60 years
- > 60 and <= 65 years
- > 65 years

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

<b>14 Region of Residence</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Greater London				
North West				
South East				
Yorkshire and Humberside				
South West				
West Midlands				
East Anglia				
East Midlands				
North East				
Scotland				
Wales				
Northern Ireland				
Channel Islands				
Isle of Man				
not available				
	0	0.0%	0	0.0%
<b>15 Overseas borrowers</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Overseas borrowers				
Not overseas borrowers				
	0	0.0%	0	0.0%
<b>16 Country of Birth</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK				
EU excl. UK				
Overseas (not in the EU or UK)				
not available				
	0	0.0%	0	0.0%
<b>17 Course Level</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Undergraduate / First degree				
Postgraduate / PGCE				
Other				
	0	0.0%	0	0.0%
<b>18 Course Type</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
BA/BSc degree				
BA Law				
BA/BSc Medicine				
HND/HNC				
PGCE or equivalent				
MAMSc				
Foundation degree				
Other (certificates and diplomas)				
	0	0.0%	0	0.0%
<b>19 Length of Course</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
1 year				
2 years				
3 years				
4 years				
5 years				
>5 years				
not available				
	0	0.0%	0	0.0%
<b>20 Course Completion Status</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Completed course				
Did not complete course				
	0	0.0%	0	0.0%
<b>21 Education Establishment Type</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Higher Education Institution (HEI)				
Further Education College (FEC)				
Alternative Provider				
	0	0.0%	0	0.0%
<b>22 University ranking</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Top 20				
Top 21-30				
Top 31-40				
Top 41-50				
Not in top 50				
Other				
	0	0.0%	0	0.0%

2004 Cohort				
<b>1 Current Balance (per Borrower)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>2 Original Balance (per Borrower)</b>	<b>Aggregate Current Balance</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>3 Type of Loan</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Maintenance loan (SS)				
Transitional loan (TL)				
Tuition fee loan (FL)				
Part time maintenance loan (PT)				
	0	0.0%	0	0.0%
<b>4 Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only				
SA only				
Direct to SLC only				
PAYE & SA				
PAYE & Direct to SLC				
PAYE, SA & Direct to SLC				
SA & Direct to SLC				
Voluntary only				
Voluntary & PAYE				
Voluntary & SA				
Voluntary, PAYE & SA				
Voluntary, PAYE & Direct to SLC				
Voluntary, SA & Direct to SLC				
Voluntary & Direct to SLC				
Voluntary, PAYE, SA, Direct to SLC				
No repayments				
	0	0.0%	0	0.0%
<b>5 Repayment Status as of 31st March 2016</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Made repayment in 2015/2016 receipts period				
No repayment made in 2015/2016 receipts period				
	0	0.0%	0	0.0%
<b>6 Repayment Status (Overseas &amp; Non-Overseas)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK repaying - earnings equal to the repayment threshold or above				
UK repaying - earnings below the repayment threshold (and above £0)				
UK repaying - no earnings reported to SLC				
UK not repaying - earnings equal to the repayment threshold or above				
UK not repaying - earnings below the repayment threshold (and above £0)				
UK not repaying - no earnings reported to SLC				
Overseas repaying				
Overseas not repaying				
	0	0.0%	0	0.0%
<b>7 First Repayment (number of years after SRDD date when the first repayment was made)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
on SRDD or earlier than SRDD				
> 0 and <= 1 years				
> 1 and <= 2 years				
> 2 and <= 3 years				
> 3 and <= 4 years				
> 4 and <= 5 years				
> 5 years				
Never Repaid				
	0	0.0%	0	0.0%

**8 Years since Last Repayment**

- > 0 and <= 1 years
- > 1 and <= 2 years
- > 2 and <= 3 years
- > 3 and <= 5 years
- > 5 and <= 10 years
- > 10 years
- Never repaid

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**9 Last Repayment Amount**

- < £1,000
- >= £1,000 and < £2,000
- >= £2,000 and < £3,000
- >= £3,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**10 Gender**

- Male
- Female

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**11 Income Bracket**

*For female borrowers:*

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

*For male borrowers:*

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**12 Income Bracket (for borrowers who made a repayment in last receipts period)**

*For female borrowers:*

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

*For male borrowers:*

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

**13 Age of Borrower (as at March 2016)**

- <=21 years
- >21 and <= 25 years
- >25 and <= 30 years
- >30 and <= 35 years
- >35 and <= 40 years
- >40 and <= 45 years
- >45 and <= 50 years
- >50 and <= 55 years
- >55 and <= 60 years
- >60 and <= 65 years
- >65 years

Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
0	0.0%	0	0.0%

	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
<b>14 Region of Residence</b>				
Greater London				
North West				
South East				
Yorkshire and Humberside				
South West				
West Midlands				
East Anglia				
East Midlands				
North East				
Scotland				
Wales				
Northern Ireland				
Channel Islands				
Isle of Man				
not available				
	0	0.0%	0	0.0%
<b>15 Overseas borrowers</b>				
Overseas borrowers				
Not overseas borrowers				
	0	0.0%	0	0.0%
<b>16 Country of Birth</b>				
UK				
EU excl. UK				
Overseas (not in the EU or UK)				
not available				
	0	0.0%	0	0.0%
<b>17 Course Level</b>				
Undergraduate / First degree				
Postgraduate / PGCE				
Other				
	0	0.0%	0	0.0%
<b>18 Course Type</b>				
BA/BSc degree				
BA Law				
BA/BSc Medicine				
HND/HNC				
PGCE or equivalent				
MA/MSc				
Foundation degree				
Other (certificates and diplomas)				
	0	0.0%	0	0.0%
<b>19 Length of Course</b>				
1 year				
2 years				
3 years				
4 years				
5 years				
>5 years				
not available				
	0	0.0%	0	0.0%
<b>20 Course Completion Status</b>				
Completed course				
Did not complete course				
	0	0.0%	0	0.0%
<b>21 Education Establishment Type</b>				
Higher Education Institution (HEI)				
Further Education College (FEC)				
Alternative Provider				
	0	0.0%	0	0.0%
<b>22 University ranking</b>				
Top 20				
Top 21-30				
Top 31-40				
Top 41-50				
Not in top 50				
Other				
	0	0.0%	0	0.0%

2005 Cohort				
<b>1 Current Balance (per Borrower)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>2 Original Balance (per Borrower)</b>	<b>Aggregate Current Balance</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>3 Type of Loan</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Maintenance loan (SS)				
Transitional loan (TL)				
Tuition fee loan (FL)				
Part time maintenance loan (PT)				
	0	0.0%	0	0.0%
<b>4 Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only				
SA only				
Direct to SLC only				
PAYE & SA				
PAYE & Direct to SLC				
PAYE, SA & Direct to SLC				
SA & Direct to SLC				
Voluntary only				
Voluntary & PAYE				
Voluntary & SA				
Voluntary, PAYE & SA				
Voluntary, PAYE & Direct to SLC				
Voluntary, SA & Direct to SLC				
Voluntary & Direct to SLC				
Voluntary, PAYE, SA, Direct to SLC				
No repayments				
	0	0.0%	0	0.0%
<b>5 Repayment Status as of 31st March 2016</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Made repayment in 2015/2016 receipts period				
No repayment made in 2015/2016 receipts period				
	0	0.0%	0	0.0%
<b>6 Repayment Status (Overseas &amp; Non-Overseas)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK repaying - earnings equal to the repayment threshold or above				
UK repaying - earnings below the repayment threshold (and above £0)				
UK repaying - no earnings reported to SLC				
UK not repaying - earnings equal to the repayment threshold or above				
UK not repaying - earnings below the repayment threshold (and above £0)				
UK not repaying - no earnings reported to SLC				
Overseas repaying				
Overseas not repaying				
	0	0.0%	0	0.0%
<b>7 First Repayment (number of years after SRDD date when the first repayment was made)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
on SRDD or earlier than SRDD				
> 0 and <= 1 years				
> 1 and <= 2 years				
> 2 and <= 3 years				
> 3 and <= 4 years				
> 4 and <= 5 years				
> 5 years				
Never Repaid				
	0	0.0%	0	0.0%

**8 Years since Last Repayment**

- > 0 and <= 1 years
- > 1 and <= 2 years
- > 2 and <= 3 years
- > 3 and <= 5 years
- > 5 and <= 10 years
- > 10 years
- Never repaid

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%

**9 Last Repayment Amount**

- < £1,000
- >= £1,000 and < £2,000
- >= £2,000 and < £3,000
- >= £3,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%

**10 Gender**

- Male
- Female

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%

**11 Income Bracket**

**For female borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

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0 0.0% 0 0.0%

**For male borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

---

0 0.0% 0 0.0%

**12 Income Bracket (for borrowers who made a repayment in last receipts period)**

**For female borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%

**For male borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

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0 0.0% 0 0.0%

**13 Age of Borrower (as at March 2016)**

- <=21 years
- >21 and <= 25 years
- >25 and <= 30 years
- >30 and <= 35 years
- >35 and <= 40 years
- >40 and <= 45 years
- >45 and <= 50 years
- >50 and <= 55 years
- >55 and <= 60 years
- >60 and <= 65 years
- >65 years

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%



	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
<b>14 Region of Residence</b>				
Greater London				
North West				
South East				
Yorkshire and Humberside				
South West				
West Midlands				
East Anglia				
East Midlands				
North East				
Scotland				
Wales				
Northern Ireland				
Channel Islands				
Isle of Man				
not available				
	0	0.0%	0	0.0%
<b>15 Overseas borrowers</b>				
Overseas borrowers				
Not overseas borrowers				
	0	0.0%	0	0.0%
<b>16 Country of Birth</b>				
UK				
EU excl. UK				
Overseas (not in the EU or UK)				
not available				
	0	0.0%	0	0.0%
<b>17 Course Level</b>				
Undergraduate / First degree				
Postgraduate / PGCE				
Other				
	0	0.0%	0	0.0%
<b>18 Course level</b>				
BA/BSc degree				
BA Law				
BA/BSc Medicine				
HND/HNC				
PGCE or equivalent				
MA/MSc				
Foundation degree				
Other (certificates and diplomas)				
	0	0.0%	0	0.0%
<b>19 Length of Course</b>				
1 year				
2 years				
3 years				
4 years				
5 years				
>5 years				
not available				
	0	0.0%	0	0.0%
<b>20 Course Completion Status</b>				
Completed course				
Did not complete course				
	0	0.0%	0	0.0%
<b>21 Education Establishment Type</b>				
Higher Education Institution (HEI)				
Further Education College (FEC)				
Alternative Provider				
	0	0.0%	0	0.0%
<b>22 University ranking</b>				
Top 20				
Top 21-30				
Top 31-40				
Top 41-50				
Not in top 50				
Other				
	0	0.0%	0	0.0%

2006 Cohort				
<b>1 Current Balance (per Borrower)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>2 Original Balance (per Borrower)</b>	<b>Aggregate Current Balance</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
< £2,000				
>= £2,000 and < £4,000				
>= £4,000 and < £6,000				
>= £6,000 and < £8,000				
>= £8,000 and < £10,000				
>= £10,000 and < £12,000				
>= £12,000 and < £14,000				
>= £14,000 and < £16,000				
>= £16,000 and < £18,000				
>= £18,000 and < £20,000				
>= £20,000				
	0	0.0%	0	0.0%
<b>3 Type of Loan</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Maintenance loan (SS)				
Transitional loan (TL)				
Tuition fee loan (FL)				
Part time maintenance loan (PT)				
	0	0.0%	0	0.0%
<b>4 Type of Repayment (per Borrower) in 2015/16 Accounts Period</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
PAYE only				
SA only				
Direct to SLC only				
PAYE & SA				
PAYE & Direct to SLC				
PAYE, SA & Direct to SLC				
SA & Direct to SLC				
Voluntary only				
Voluntary & PAYE				
Voluntary & SA				
Voluntary, PAYE & SA				
Voluntary, PAYE & Direct to SLC				
Voluntary, SA & Direct to SLC				
Voluntary & Direct to SLC				
Voluntary, PAYE, SA, Direct to SLC				
No repayments				
	0	0.0%	0	0.0%
<b>5 Repayment Status as of 31st March 2016</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
Made repayment in 2015/2016 receipts period				
No repayment made in 2015/2016 receipts period				
	0	0.0%	0	0.0%
<b>6 Repayment Status (Overseas &amp; Non-Overseas)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
UK repaying - earnings equal to the repayment threshold or above				
UK repaying - earnings below the repayment threshold (and above £0)				
UK repaying - no earnings reported to SLC				
UK not repaying - earnings equal to the repayment threshold or above				
UK not repaying - earnings below the repayment threshold (and above £0)				
UK not repaying - no earnings reported to SLC				
Overseas repaying				
Overseas not repaying				
	0	0.0%	0	0.0%
<b>7 First Repayment (number of years after SRDD date when the first repayment was made)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of Total</b>	<b>Number of Borrowers</b>	<b>% of Total</b>
on SRDD or earlier than SRDD				
> 0 and <= 1 years				
> 1 and <= 2 years				
> 2 and <= 3 years				
> 3 and <= 4 years				
> 4 and <= 5 years				
> 5 years				
Never Repaid				
	0	0.0%	0	0.0%

**8 Years since Last Repayment**

- > 0 and <= 1 years
- > 1 and <= 2 years
- > 2 and <= 3 years
- > 3 and <= 5 years
- > 5 and <= 10 years
- > 10 years
- Never repaid

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%

**9 Last Repayment Amount**

- < £1,000
- >= £1,000 and < £2,000
- >= £2,000 and < £3,000
- >= £3,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

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0 0.0% 0 0.0%

**10 Gender**

- Male
- Female

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%

**11 Income Bracket**

**For female borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%

**For male borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

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0 0.0% 0 0.0%

**12 Income Bracket (for borrowers who made a repayment in last receipts period)**

**For female borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%

**For male borrowers:**

- < £10,000
- >= £10,000 and < £13,000
- >= £13,000 and < £17,495
- >= £17,495 and < £20,000
- >= £20,000 and < £22,000
- >= £22,000 and < £25,000
- >= £25,000 and < £28,000
- >= £28,000 and < £32,000
- >= £32,000 and < £36,000
- >= £36,000

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0 0.0% 0 0.0%

**13 Age of Borrower (as at March 2016)**

- <=21 years
- >21 and <= 25 years
- >25 and <= 30 years
- >30 and <= 35 years
- >35 and <= 40 years
- >40 and <= 45 years
- >45 and <= 50 years
- >50 and <= 55 years
- >55 and <= 60 years
- >60 and <= 65 years
- >65 years

**Aggregate Current Balance (£) % of Total Number of Borrowers % of Total**

---

0 0.0% 0 0.0%

	<i>Aggregate Current Balance (£)</i>	<i>% of Total</i>	<i>Number of Borrowers</i>	<i>% of Total</i>
<b>14 Region of Residence</b>				
Greater London				
North West				
South East				
Yorkshire and Humberside				
South West				
West Midlands				
East Anglia				
East Midlands				
North East				
Scotland				
Wales				
Northern Ireland				
Channel Islands				
Isle of Man				
not available				
	0	0.0%	0	0.0%
<b>15 Overseas borrowers</b>				
Overseas borrowers				
Not overseas borrowers				
	0	0.0%	0	0.0%
<b>16 Country of Birth</b>				
UK				
EU excl. UK				
Overseas (not in the EU or UK)				
not available				
	0	0.0%	0	0.0%
<b>17 Course Level</b>				
Undergraduate / First degree				
Postgraduate / PGCE				
Other				
	0	0.0%	0	0.0%
<b>18 Course level</b>				
BA/BSc degree				
BA Law				
BA/BSc Medicine				
HND/HNC				
PGCE or equivalent				
MAMSc				
Foundation degree				
Other (certificates and diplomas)				
	0	0.0%	0	0.0%
<b>19 Length of Course</b>				
1 year				
2 years				
3 years				
4 years				
5 years				
>5 years				
not available				
	0	0.0%	0	0.0%
<b>20 Course Completion Status</b>				
Completed course				
Did not complete course				
	0	0.0%	0	0.0%
<b>21 Education Establishment Type</b>				
Higher Education Institution (HEI)				
Further Education College (FEC)				
Alternative Provider				
	0	0.0%	0	0.0%
<b>22 University ranking</b>				
Top 20				
Top 21-30				
Top 31-40				
Top 41-50				
Not in top 50				
Other				
	0	0.0%	0	0.0%

**Notes**

1. 'Maintenance loan' is a loan that covers the borrower's living cost; 'Transitional loan' is a loan that taken on during the transitional period when the ICR scheme was introduced and mortgage-style scheme was being wound down; 'Part time loan' is a loan given to part-time HE students; 'Tuition loan' is a loan that covers tuition fee only (not included in the Reference Pool at date of sale)
2. The table above has been produced based on last repayment amount by each repayment type in 2015/16 Accounts Period: if a borrower made any repayment by any of the repayment method, the borrower is identified as repaying using this particular repayment type
3. Direct to SLC includes direct debit, card, bank transfer and cheque repayments
4. Voluntary refers to voluntary repayments by borrowers
5. 'Made repayment in 2015/16 accounts period' refers to borrowers who have made a repayment in the 2015/16 accounts period (i.e. with a non-zero amount in the last repayment amount field); and vice versa for 'Did not made repayment in 2015/16 accounts period'
6. 'First Repayment' (number of years after SRDD date when the first repayment was made) shows the number of years between SRDD date and when the first repayment was made. This is calculated by taking the difference between the SRDD year and the earliest first repayment date year (tax year) of all loans of a borrower (this can include closed loans). If a borrower has multiple SRDD across the loans, the latest SRDD has been used. Note IR does not consider first repayment years earlier than 2002.
7. 'On SRDD or earlier than SRDD' means that the first repayment date of a borrower is on or before the latest SRDD date of the borrower. Borrowers can have multiple SRDDs across multiple loans. The calculation in the analysis is based on the latest SRDD however SLC starts collecting repayments once a loan has passed the SRDD date, so a borrower can start repaying before their latest SRDD date
8. 'Tax year since last repayment' is the difference between the date on which a borrower last made a repayment and 31st March 2016. For borrowers with loans with different last repayment dates, the latest last repayment date has been used in the analysis. Borrowers with no entry for the last repayment (i.e. never repaid since the loans were paid out) date fall into 'never repaid' category
9. Region of residence information only represents the last known region of residence of borrowers last notified to SLC and may not reflect the latest actual address of a borrower
10. 'not available' means not available. This category includes overseas borrowers who do not have a UK postcode and borrowers with no available information recorded in the SLC system
11. SLC captures overseas status only if a borrower notifies SLC, so the analysis above do not capture all overseas borrowers but only those who have notified SLC
12. 'not available' means that the data are not available
13. A borrower can have more than one loan with different qualifications. Qualification in the analysis above is determined by the loan with the latest SRDD. In cases where a borrower has more than one loan with the same SRDD, the analysis captures the latest qualification of the borrower determined by looking at the loan with the highest loan ID
14. 'BA/BSc Medicine' includes Medicine, Surgery, Veterinary Science, Nursing, Dentistry and related courses
15. 'HND/HNC' includes Higher National Diploma, Diploma In Higher Education, Certificate in Education, Diploma In Social Work and related courses
16. 'PGCE or equivalent' includes Postgraduate Certificate In Education, Bachelor Of Education and related courses
17. 'not available' means the 'length of course' data is not available (original data was provided by the relevant Higher Education Institution). There are loans in the data tape where such information is not available, including transitional loans where length of course information was not collected at the time of application. Transitional loans were taken on during the transitional period when the ICR scheme was introduced and mortgage-style scheme was being wound down
18. 'Did not complete course' captures people who dropped out of a course and didn't start a new course - at customer level most recent status based on latest SRDD then latest course completion date then highest loan ID.
19. A borrower can have loans with different education establishment type. Education type has been determined by the loan of the borrower with the latest SRDD. In cases where a borrower has more than one loan with the same SRDD, the analysis captures the latest education establishment type of the borrower determined by looking at the loan with the highest loan ID
20. 'University ranking' is based on Guardian University Guide 2014, 'University league table' has been used for ranking purposes in the analysis above (<http://www.theguardian.com/education/table/2013/jun/03/university-league-table-2014>). A borrower can have loans with different university names associated with them. In such case, university ranking has been determined by using the loan with the latest SRDD. In cases where a borrower has more than one loan with the same SRDD, the analysis captured the latest university of the borrower determined by looking at the loan with the highest loan ID
21. 'Other' category includes universities which are not designated a ranking by the Guardian University Guide 2014: University league table

**Management Information**

**Historical Repayment Status**

Date of Reference Pool	31st March 2016				31st March 2015				31st March 2014			
	Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total	Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total	Aggregate Current Balance (£)	% of Total	Number of Borrowers	% of Total
Made Repayment in Tax Year = Reference Pool Year												
No Repayment in Tax Year = Reference Pool Year	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

**Key Performance Indicators (KPIs)**

**HMRC-led KPIs:**

	2015/2016 Target	2015/2016 Actual	2014/2015 Target	2014/2015 Actual	2013/2014 Target	2013/2014 Actual
Average delay in starting repayments for new borrowers						
Average delay in starting repayments when a borrower moves employment						
Percentage of matched and found borrowers; with timely and accurate deductions						
Percentage of end of year PAYE returns passed to SLC by 31 July						
Percentage of SA returns passed to SLC by end of March						
Percentage of SA exceptions processed for current year, by end of March						

**SLC-led KPIs:**

	2015/2016 Target	2015/2016 Actual	2014/2015 Target	2014/2015 Actual	2013/2014 Target	2013/2014 Actual
Percentage of existing borrowers matched to the correct repayment channel by their SRDD (UK & EU borrowers, resident in UK)						
Percentage of UK borrowers resident overseas matched to the correct repayment channel (UK borrowers, resident overseas)						
Percentage of EU borrowers resident overseas matched to the correct repayment channel (EU borrowers, resident overseas)						

**Statistics**

Student Support for higher education in England<sup>1</sup> <http://www.slc.co.uk/official-statistics/financial-support-awarded/england-higher-education.aspx>  
 Student loans debt and repayment in England<sup>2</sup> <http://www.slc.co.uk/official-statistics/full-catalogue-of-official-statistics/student-loans-debt-and-repayment.aspx>

**Notes**

1. Official statistics published by SLC every November and present figures on the financial support awarded and paid to customers
2. Official statistics published by SLC every June and provide statistics on loan outlays, repayments of loans and borrower activity for English domiciled students studying in Higher Education

**Distribution Amounts**

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**Loan Collections**

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	Total	Earnings Period <sup>1</sup>			
		2015/2016	2014/2015	2013/2014	Prior
HMRC Receipts processed by SLC in relation to the Receipts Period (£):					
PAYE Receipts	0	0	0	0	0
Self Assessment Receipts	0	0	0	0	0
Direct Receipts received by SLC	0	0	0	0	0
Total Receipts	0	0	0	0	0
Less Adjustments for <sup>2</sup> :					
Previous Reporting	0				
Total Receipt Distributions due to the SPV	0				

**Compensation<sup>3</sup>**

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Net compensation book value (included here for information only)	
Cash-flow distribution to the SPV in relation to compensation - change in interest rate	
Cash-flow distribution to the SPV in relation to compensation - change in repayment rate	
Cash-flow distribution to the SPV in relation to compensation - change in the repayment threshold	
Cash-flow distribution to the SPV in relation to compensation - change in the write-off date	
Cash-flow distribution to the SPV in relation to compensation - policy change	

**Notes**

1. Earnings Period reflects the financial period to which the receipts relate. The 'Total' Column shows all receipts within the Investor Report and this is split between financial periods to which the receipts relates and receipts relating to older 'Earnings Periods' where new transactions have been posted re prior receipts periods
2. Adjustments required to reflect where either distributions were made in relation to previous reporting, which has since been updated, or a correction of a previous overpayment
3. Compensation payments are only intended to protect the issuer against the negative impact on cash flows of changes to the terms of the Transferred Loans as a consequence of a Compensation Event

**Pool Movement Reconciliation**

<b>Repayment Years</b>		<b>2015/2016</b>	<b>2014/2015</b>	<b>2013/2014</b>
		<b>Balances (£)</b>	<b>Balances (£)</b>	<b>Balances (£)</b>
Opening pool balance (Beginning of Receipts Period)	<b>1st April</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Less Repayments (only Eligible Loans):				
PAYE Receipts		<input type="text"/>	<input type="text"/>	<input type="text"/>
Self Assessment Receipts		<input type="text"/>	<input type="text"/>	<input type="text"/>
Direct Receipts		<input type="text"/>	<input type="text"/>	<input type="text"/>
Less Write-Offs / Cancellations, split by:	<b>Number of borrowers</b>			
<i>Because of death</i>	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
<i>Because of age</i>	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
<i>Because of disability</i>	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
<i>Because of bankruptcy</i>	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
<i>On completion of Individual Voluntary Arrangement ("IVA")</i>	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
<i>Trivial balances</i>	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
<i>Other</i> <sup>1</sup>	0	<input type="text"/>	<input type="text"/>	<input type="text"/>
Less the balance of Repurchased Loans <sup>2</sup>		<input type="text"/>	<input type="text"/>	<input type="text"/>
Plus Interest Added		<input type="text"/>	<input type="text"/>	<input type="text"/>
Plus Refunds Paid		<input type="text"/>	<input type="text"/>	<input type="text"/>
Other		<input type="text"/>	<input type="text"/>	<input type="text"/>
Closing Pool Balance (End of Receipts Period)	<b>31st March</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Repurchases for breach of representations and warranties**

<b>Repayment Years</b>		<b>2015/2016</b>	<b>2014/2015</b>	<b>2013/2014</b>
		<b>Balances (£)</b>	<b>Balances (£)</b>	<b>Balances (£)</b>
Repurchases	<b>Number of borrowers</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Notes**

1. This category includes negligible amounts in respect of ad-hoc write offs.
2. Balance of Repurchased Loans - this balance reflects the closing loan balance included in the previous Investor Report.



**SPV Available Funds**

**Receipt Period**

**20xx/ 20xx**

**Total**

Available Receipts<sup>1</sup>

- (a) Receipts received by the Issuer on the immediately preceding MS Payment Date, including any Underpayment Amounts received from the Seller<sup>2</sup>
- (b) interest received by the Issuer on the Issuer Bank Accounts
- (c) amounts available under the Note A2 Cash Account<sup>3</sup>
- (d) amounts available in the Expense Account<sup>4</sup>
- (e) payments received from the Seller in respect of breach of Loan Warranty and in respect of repurchase price paid for repurchase of Teacher Forgiveness Loans since the last Distribution Date
- (f) all Compensation Payments received by the Issuer under the Loan Sale Agreement on the immediately preceding MS Payment Date
- (g) amounts advanced to the Issuer under the Fees Shortfall Loan on the Maturity Date or, if earlier, the date of repayment in full of the Notes,
- (h) amounts standing to the credit of the Expense Account
- (i) other net income of the Issuer received since the last Distribution Date

**Notes**

- 1. *Distribution of cash-flow to the SPV in relation to the pool reconciliation for the Accounts Period*
- 2. *Together with interest thereon calculated at a rate equal to the lower of the Index Rate and the Interest Rate Cap*
- 3. *Provided that, if the Class A2 Notes are Outstanding, such amounts may only be used to cover item (h) of the Pre-Acceleration Priority of Payments on such Distribution Date*
- 4. *Provided that such amounts may only be used to cover items (b) and (c) of the Pre-Acceleration Priority of Payments to the extent funds available under the Issuer Transaction Account on the relevant Distribution Date are insufficient to cover the payments of such amounts*

**Cashflow Waterfall**

**Accounts Period**

**20xx/ 20xx**

**Priority of Payments**

- (a) Amounts payable in respect of taxes by the Issuer and Issuer Retained Amount
- (b) Amounts payable in respect of any fees, costs, amounts in respect of taxes (including VAT), expenses, indemnity payments and other amounts due and payable to the Note Trustee and the Security Trustee under the Transaction Documents in an amount up to the Senior Expenses Cap
- (c) To pay the Issuer Expenses in an amount up to the Senior Expenses Cap<sup>1</sup>
- (d) To credit the Expense Account so that the balance standing to the credit of the Expense Account is equal to the Expense Account Required Amount<sup>2</sup>
- (e) To the Master Servicer in payment of the Servicing Fee
- (f) Amounts of interest and principal payable under the Fees Shortfall Loan
- (g) Interest amounts due and payable on all Class A notes
- (h) Class A2 Note Amortisation Amounts
- (i) To the Master Servicer in payment of any Overpayment Amounts
- (j) On and following the occurrence of a Test A Breach that is continuing, in the following order of priority:
  - (i) Principal amounts due and payable on the Class A1 notes
  - (ii) Note A2 Cash Account<sup>3</sup>
- (k) Interest amounts due and payable on all Class B notes
- (l) Interest amounts due and payable on all Class X notes
- (m) Principal amounts due and payable on the Class A1 notes
- (n) Note A2 Cash Account<sup>4</sup>
- (o) Principal amounts due and payable on the Class B notes
- (p) Any remaining Issuer Expenses
- (q) Principal amounts due and payable on the Class X notes until the Class X Principal Amount is equal to the Class X Final Redemption Amount
- (r) To pay:
  - (i) first, on the final Distribution Date, the Class X Final Redemption Amount; and
  - (ii) second, all remaining excess to the the Class X Noteholders as the Class X Note Profit Participating Interest Amount

**Notes**

1. Taking into account payment of any amounts in (b) above
2. Only to the extent that all payments made in relation to (b), (c) and (d) shall not exceed the Senior Expenses Cap
3. If the Class A2 Notes have not been repaid in full, in an amount equal to the Note A2 Cash Account Target
4. If the Class A2 Notes have not been repaid in full, in an amount equal to the Note A2 Cash Account Target (to the extent that such amounts have not been discharged by prior items in this Pre-Acceleration Priority of Payments)

Issuance Details

Capital Structure

Class	Original Balance	Original %	Outstanding Balance	Outstanding %	Original Credit Enhancement	Outstanding Credit Enhancement	Original Rating (F/S)	Current Rating (F/S)	Legal Final Maturity
A1	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[2056]
A2	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[2056]
B	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[2056]
X	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[TBD]	[2056]

Total	[TBD]	[TBD]	[TBD]	[TBD]	Class A1 Notes		Class A2 Notes		Class B Notes		[Class X Notes]		
ISIN				[TBD]				[TBD]				N/A	
Stock Exchange Listing			Regulated Market	London Stock Exchange			Regulated Market	London Stock Exchange			Regulated Market	London Stock Exchange	N/A
Final Maturity Date				[TBD]				[TBD]				[TBD]	
Currency				[TBD]				[TBD]				[TBD]	
Reference Rate				[TBD]				[TBD]				[TBD]	
Relevant Margin				[TBD]				[TBD]				[TBD]	
Interest Payment Date				[TBD]				[TBD]				[TBD]	
Day Count Convention				[TBD]				[TBD]				[TBD]	
Current Coupon				[TBD]				[TBD]				[TBD]	
Previous Factor				[TBD]				[TBD]				[TBD]	
Current Factor				[TBD]				[TBD]				[TBD]	
				Current	Original			Current	Original			Current	Original
Principal Amount Outstanding				[TBD]	[TBD]			[TBD]	[TBD]			[TBD]	[TBD]
Subordination				[TBD]	[TBD]			[TBD]	[TBD]			[TBD]	[TBD]
[Reserve Fund]				[TBD]	[TBD]			[TBD]	[TBD]			[TBD]	[TBD]
Total Credit Enhancement				[TBD]	[TBD]			[TBD]	[TBD]			[TBD]	[TBD]

Key Structural Features

[TBD]

Transaction Parties

Role	Party	Moody's Rating	Fitch Rating	S&P Rating	Rating Triggers	Consequences
Issuer	Income Contingent Student Loans 1 (2002-2006) PLC	N/A	N/A	N/A	N/A	N/A
Originator	The Secretary of State	N/A	N/A	N/A	N/A	N/A
Master Servicer	The Secretary of State	N/A	N/A	N/A	N/A	N/A
Cash Manager	Citibank N.A., London Branch	A1/P-1	A+/F1	A+/A-	N/A	N/A
Issuer Bank Account	Citibank N.A., London Branch	A1/P-1	A+/F1	A+/A-	Short term at least F2 (Fitch) and A-2 (S&P) and long-term at least BBB by Fitch and S&P	The Issuer will be required (within 30 calendar days provided that no guarantee from an appropriately rated bank or financial institution has been provided in relation to the obligations of the Issuer Account Bank within such period) to arrange for the transfer (at the Issuer Account Bank's cost) of the Issuer Banks Accounts and the funds standing to the credit thereof to a reputable and experienced financial institution which (i) has at least the Required Ratings and (ii) has authorisation to carry on banking business (including accepting deposits) under the FSMA pursuant to and in accordance with the provisions of the Issuer Bank Account Agreement.
Security Trustee	QIcorp Trustee Company Limited	N/A	N/A	N/A	N/A	N/A
Note Trustee	QIcorp Trustee Company Limited	N/A	N/A	N/A	N/A	N/A
Principal Paying Agent	Citibank N.A., London Branch	A1/P-1	A+/F1	A+/A-	N/A	N/A
Corporate Services Provider	Intertrust Management Limited	N/A	N/A	N/A	N/A	N/A
Registrar	Citibank N.A., London Branch	A1/P-1	A+/F1	A+/A-	N/A	N/A

Financial Triggers

Test A

[20XX] Actual Trigger	[TBD]
Test A Breach	No Breach

Test B


[20XX] Actual	[TBD]
[20XX] Test B First Threshold	[TBD]
Test B First Threshold Breach	No Breach
[20XX] Test B Second Threshold	[TBD]
Test B Second Threshold Breach	No Breach

Notes

[TBD]

**ANNEX 2**

**FORM OF INTERIM COLLECTIONS REPORT**

<b>Interim Collections Report</b>		
<b>Income Contingent Student Loans 1 (2002-2006)</b>		
<b>Interim Collections Reporting Date</b>	<b>[31 January 2018]</b>	
<b>Interim Collections Report Extraction Date</b>	<b>[31 December 2017]</b>	
<hr/>		
Report Frequency	Annual	
Accounts Period	[1 April 2016 - 31 March 2017]	
Receipts to date (£m)	[xx]	
<hr/>		
<b>Notes</b>		
<p>(1) The above figures represent the amount of collections processed by SLC as at the Interim Collections Reporting Date, as a result of data provided by the Delegates in relation to PAYE Receipts, SA Receipts and Direct Receipts for the most recent preceding Accounts Period as of the Interim Collections Report Extraction Date. No indication or estimate can be given in relation to the potential size of the difference between the figures set out in this Interim Collections Report and the final Receipt amounts that will be included in the Servicing Report and the Investor Report.</p> <p>(2) This report contains provisional data that has not been verified in any way and will therefore be made available for information purposes only and without any liability for any direct, indirect or consequential losses (in contract, tort or otherwise) on the part of the Master Servicer or the Cash Manager. Any failure by the Master Servicer to make available any Interim Collections Report shall not constitute a Servicing Event or breach of the Master Servicer's obligations under the Master Servicing Agreement.</p>		

**ISSUER**

**Income Contingent Student Loans  
1 (2002-2006) PLC**  
35 Great St Helen's  
London EC3A 6AP

**ARRANGER, JOINT LEAD MANAGER AND  
JOINT BOOKRUNNER**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

**JOINT LEAD MANAGER AND JOINT  
BOOKRUNNER**

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP

**JOINT LEAD MANAGER AND JOINT  
BOOKRUNNER**

**Lloyds Bank plc**  
10 Gresham Street  
London  
EC2V 7AE

**JOINT LEAD MANAGER AND JOINT  
BOOKRUNNER**

**Credit Suisse Securities (Europe) Ltd**  
One Cabot Square  
London E14 4QJ

**NOTE TRUSTEE AND SECURITY TRUSTEE**

**Citicorp Trustee Company Limited**  
Citigroup Centre Canada Square  
Canary Wharf  
London E14 5LB

**CASH MANAGER, ISSUER ACCOUNT  
BANK, REGISTRAR, CALCULATION AGENT  
AND PRINCIPAL PAYING AGENT**

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