

IMPORTANT NOTICE

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

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Kingswood Mortgages 2015-1 plc (the "**Issuer**"), L2 B.V. (the "**Seller**"), Macquarie Bank Limited, London Branch (the "**Retention Holder**"), Macquarie Bank International Limited (the "**Arranger**"), each of Macquarie Bank International Limited and Merrill Lynch International (together, the "**Joint Lead Managers**") nor any person who controls any such person nor any director, officer, employee or agent of any such person or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

KINGSWOOD MORTGAGES 2015-1 PLC

(Incorporated under the laws of England and Wales with limited liability, registered number 9541195)

Class of Notes	Initial Principal Amount	Issue Price	Reference Rate	Margin	Step-Up Margin (to be aggregated with the Margin after the Optional Redemption Date)	Ratings (Moody's/DBRS)	Final Maturity Date
Class A Notes	€138,570,000	100%	Three Month EURIBOR*	0.90% per annum	0.45% per annum	Aaa(sf)/AAA(sf)	The Interest Payment Date falling in October 2052
Class B Notes	€19,220,000	100%	Three Month EURIBOR*	2.00% per annum	1.00% per annum	Aa1(sf)/AA(sf)	The Interest Payment Date falling in October 2052
Class C Notes	€7,390,000	100%	Three Month EURIBOR*	2.50% per annum	1.25% per annum	A2(sf)/ A(sf)	The Interest Payment Date falling in October 2052
Class D Notes	€5,360,000	100%	Three Month EURIBOR*	2.75% per annum	1.375% per annum	Baa3(sf)/BBB(sf)	The Interest Payment Date falling in October 2052
Class E Notes	€6,100,000	100%	Three Month EURIBOR	3.00% per annum	1.50% per annum	Ba1(sf)/BB(sf)	The Interest Payment Date falling in October 2052
Class F Notes	€8,130,000	100%	Three Month EURIBOR*	4.50% per annum	0.00% per annum	Not Rated	The Interest Payment Date falling in October 2052
Subordinated Notes	€1,770,000	100%	Three Month EURIBOR*	4.50% per annum	0.00% per annum	Not Rated	The Interest Payment Date falling in October 2052
Residual Certificates	N/A	N/A	N/A	N/A	N/A	Not Rated	N/A

* Except in respect of the first Interest Period, where the Reference Rate will be the linear interpolation of EURIBOR for three and six month deposits in Euro.

ARRANGER

Macquarie Bank International Limited

JOINT LEAD MANAGERS

Macquarie Bank International Limited and Bank of America Merrill Lynch

The date of this Prospectus is 14 July 2015

THE NOTES DO NOT REPRESENT DEPOSITS OR OTHER LIABILITIES OF MACQUARIE BANK LIMITED, MACQUARIE GROUP LIMITED (ABN 94 122 169 279) ("MGL"), THE ARRANGER, L2 B.V. OR ANY OF THEIR ASSOCIATED ENTITIES (TOGETHER, THE "MACQUARIE ENTITIES"). THE HOLDING OF THE NOTES IS SUBJECT TO INVESTMENT RISK, INCLUDING POSSIBLE DELAYS IN REPAYMENT AND LOSS OF INCOME AND PRINCIPAL INVESTED. NONE OF THE MACQUARIE ENTITIES GUARANTEES THE PAYMENT OR REPAYMENT OR THE RETURN OF ANY PRINCIPAL INVESTED IN, OR ANY PARTICULAR RATE OF RETURN ON, THE NOTES OR THE PERFORMANCE OF THE PORTFOLIO. IN ADDITION, NONE OF THE OBLIGATIONS OF L2 B.V. ARE GUARANTEED IN ANY WAY BY THE OTHER MACQUARIE ENTITIES (OTHER THAN IN RESPECT OF THE

GUARANTEE PROVIDED BY MACQUARIE BANK LIMITED, LONDON BRANCH UNDER THE MORTGAGE SALE AGREEMENT) AND NO PARTY GUARANTEES IN ANY WAY THE PERFORMANCE OF ANOTHER PARTY (EXCEPT AS JUST STATED).

Issue Date	The Issuer will issue the Notes in the classes set out above on or about 17 July 2015 (the " Closing Date "). The Issuer may also issue the Refinancing Notes on any Interest Payment Date falling on or after the Optional Redemption Date in accordance with Condition 8.6 (Refinancing Call Option).
Standalone/ programme issuance	Standalone issuance.
Listing	This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the " Prospectus Directive "). This Prospectus has been approved by the Central Bank of Ireland (the " Central Bank ") as the competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (together, the " Rated Notes "), the Class F Notes and the Subordinated Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the " Markets in Financial Instruments Directive ") and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc (the " Irish Stock Exchange ") for the Notes to be admitted to the official list (the " Official List ") and trading on its regulated market (the " Main Securities Market "). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.
Underlying Assets	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and interest from a portfolio comprising residential mortgage loans and their related security sold to the Issuer on the Closing Date by L2 B.V. (the "Seller") and originated by the Originator and secured over residential properties located in Germany (the "Portfolio").</p> <p>See the sections entitled "<i>Transaction Overview – Portfolio and Servicing</i>", "<i>The Mortgage Loans</i>" and "<i>Characteristics of the Provisional Portfolio</i>" for further details.</p>
Credit Enhancement	<p>Credit enhancement of the Notes is provided in the following manner:</p> <ul style="list-style-type: none"> • in relation to any Class of Notes (other than the Class F Notes and the Subordinated Notes and subject to the application of the Pari Passu Conditions), the overcollateralisation funded by Notes ranking junior to such Class of Notes in the Priority of Payments (other than the Subordinated Notes); • the amount by which Revenue Receipts exceed the amounts required to pay interest on the relevant Class of Notes in accordance with the Pre-Enforcement Revenue Priority of Payments and all other amounts ranking in priority thereto; • the availability of the Rated Note Reserve Fund Available Amount, but prior to the service of an Enforcement Notice only in respect of the Rated Notes; and • all amounts credited to the Rated Note Reserve Fund Ledger, but only following service of an Enforcement Notice and subject to application in accordance with the Post-Enforcement Priority of Payments. <p>See the sections entitled "<i>Transaction Overview – Credit Structure and Cashflow</i>" and</p>

"*Credit Structure*" for further details. In relation to the Rated Note Reserve Fund, see the section entitled "*Credit Structure – Rated Note Reserve Fund and Rated Note Reserve Fund Ledger*" for further details.

Liquidity Support

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

- the subordination in payment of those Classes of Notes ranking junior in the Priority of Payments;
- in respect of the Class A Notes only, the Senior Principal Reallocation Amounts (as defined herein);
- in respect of the Rated Notes only, the Rated Note Reserve Fund Available Amount; and
- in respect of the Rated Notes only, the amount standing to the credit of the Rated Note Reserve Fund Liquidity Sub-Ledger to cover any Interest Shortfall.

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

Redemption Provisions

Information on any optional and mandatory redemption of the Notes is summarised on page 78 ("*Transaction Overview – Summary of the Terms and Conditions of the Notes*") and set out in full in Condition 8 (*Redemption*) of the terms and conditions of the Notes (the "**Conditions**").

Credit Rating Agencies

DBRS Ratings Limited ("**DBRS**") and Moody's Investors Service Limited ("**Moody's**") (each a "**Rating Agency**", and together the "**Rating Agencies**"). As of the date of this prospectus (the "**Prospectus**"), each of the Rating Agencies is a credit rating agency established in the European Union (the "**EU**") and is registered under Regulation (EU) No 1060/2009 (the "**CRA Regulation**"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation.

Credit Ratings

The ratings assigned to the Rated Notes shall address, *inter alia*, the likelihood of full and timely payment to the holders of the Rated Notes (the "**Rated Noteholders**") of all payments of interest on each Interest Payment Date and the likelihood of ultimate payment of principal in relation to the Rated Notes on or prior to the Final Maturity Date.

Ratings are expected to be assigned to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes on or before the Closing Date. The Class F Notes and the Subordinated Notes will not be rated. The assignment of a rating to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes by any Rating Agency is not a recommendation to invest in the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes respectively or to buy, sell or hold securities, and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

Obligations

The Notes and the Residual Certificates will be obligations of the Issuer alone and will not be guaranteed by, or the responsibility of, any other entity named in the Prospectus.

Retention Undertaking

On the Closing Date, Macquarie Bank Limited, London Branch ("**Retention Holder**") will, as an originator for the purposes of the CRR and the AIFM Regulation and the

Solvency II Regulation (each as defined below), retain a material net economic interest of not less than 5% in the securitisation in accordance with the text of each of Article 405 of Regulation (EU) No 575/2013 (the "**Capital Requirements Regulation**" or "**CRR**"), Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Manager Regulation (the "**AIFM Regulation**") (which, in each case, does not take into account any corresponding national measures) and Article 254 of Regulation (EU) 2015/35 (the "**Solvency II Regulation**" or "**Solvency II**") (the "**Retention**"). As at the Closing Date, the Retention will be comprised of the Retention Holder holding an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, represented in this case by the retention by the Retention Holder of the Class F Notes and the Subordinated Notes, as required by the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation. The Principal Amount Outstanding of the Class F Notes and the Subordinated Notes are at least equal to 5% of the material net economic interest in the securitisation. Such Retention will represent downside risk and economic outlay to the Retention Holder. Any change in the manner in which the interest is held will be notified to the Noteholders. See the section entitled "*EU Risk Retention Requirements*" for further information.

**Residual
Certificates**

In addition to the Notes, the Issuer will issue the Residual Certificates to the Seller on the Closing Date. The Residual Certificates represent the right to receive deferred consideration for the purchase of the Portfolio (consisting of the Residual Payments in respect of the Portfolio). See the section entitled "*Terms and Conditions of the Residual Certificates*" for further details.

**Significant
Investor**

The Retention Holder will on the Closing Date purchase 100% of the Class F Notes and the Subordinated Notes for the purposes of the Retention.

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 THAT SECTION.

IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE ORIGINATOR, THE SWAP PROVIDER, THE RETENTION HOLDER, THE ARRANGER, THE JOINT LEAD MANAGERS, THE MASTER SERVICER, THE SUB-SERVICER, THE BACK-UP SERVICING FACILITATOR, THE SWAP REPLACEMENT FACILITATOR, THE CASH MANAGER, THE ISSUER ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, HOLDINGS, THE CORPORATE SERVICES PROVIDER, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE REFINANCING FACILITATOR (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (TOGETHER, THE "RELEVANT PARTIES" AND EACH A "RELEVANT PARTY"). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE RELEVANT PARTIES OR BY ANY PERSON OTHER THAN THE ISSUER.

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

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

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER OR BY ANY RELEVANT PARTY THAT THIS PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE CENTRAL BANK OF IRELAND, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER OR BY ANY RELEVANT PARTY WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE ISSUER, THE ARRANGER AND THE JOINT LEAD MANAGERS TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED

STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") ("**U.S. PERSONS**") EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

THE JOINT LEAD MANAGERS, THE RETENTION HOLDER AND EACH SUBSEQUENT PURCHASER OF THE NOTES WILL BE DEEMED BY ITS ACCEPTANCE OF SUCH NOTES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF THE NOTES AS SET OUT IN THE SUBSCRIPTION AGREEMENT AND DESCRIBED IN THIS PROSPECTUS AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

NONE OF THE ISSUER NOR ANY RELEVANT PARTY OR ANY OF THEIR RESPECTIVE AFFILIATES MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF ITS KNOWLEDGE (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION OR RENDER IT MISLEADING. ANY INFORMATION SOURCED FROM THIRD PARTIES CONTAINED IN THIS PROSPECTUS HAS BEEN ACCURATELY REPRODUCED (AND IS CLEARLY SOURCED WHERE IT APPEARS IN THIS PROSPECTUS) AND, AS FAR AS THE ISSUER IS AWARE AND IS ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

EXCEPT AS SPECIFICALLY EXCLUDED THEREIN, L2 B.V. (IN ITS CAPACITIES AS THE SELLER AND THE MASTER SERVICER) ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE SELLER AND THE MASTER SERVICER*", "*THE MORTGAGE LOANS*" AND "*CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SELLER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTIONS REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY L2 B.V. AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE IN THIS PARAGRAPH AND NOT SPECIFICALLY EXCLUDED THEREIN) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

CITIBANK N.A., LONDON BRANCH (IN ITS CAPACITIES AS CASH MANAGER AND ISSUER ACCOUNT BANK) ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE CASH MANAGER AND THE ISSUER ACCOUNT BANK*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CASH MANAGER AND THE ISSUER ACCOUNT BANK (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTION REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE

IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CASH MANAGER OR THE ISSUER ACCOUNT BANK AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE NOTE TRUSTEE AND THE SECURITY TRUSTEE ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE NOTE TRUSTEE AND SECURITY TRUSTEE*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTION REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE NOTE TRUSTEE OR THE SECURITY TRUSTEE AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE SWAP PROVIDER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*SWAP PROVIDER*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SWAP PROVIDER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTION REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE SWAP PROVIDER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE CORPORATE SERVICES PROVIDER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE CORPORATE SERVICES PROVIDER*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CORPORATE SERVICES PROVIDER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTION REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CORPORATE SERVICES PROVIDER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

MACQUARIE BANK LIMITED, LONDON BRANCH (IN ITS CAPACITIES AS THE RETENTION HOLDER, THE REFINANCING FACILITATOR, THE SWAP PROVIDER, THE SWAP REPLACEMENT FACILITATOR AND THE BACK-UP SERVICING FACILITATOR) ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE RETENTION HOLDER, THE REFINANCING FACILITATOR, THE SWAP PROVIDER, THE SWAP REPLACEMENT FACILITATOR AND THE BACK-UP SERVICING FACILITATOR*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF MACQUARIE BANK LIMITED, LONDON BRANCH (IN THE CAPACITIES LISTED ABOVE AND HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTION REFERRED TO

IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY MACQUARIE BANK LIMITED, LONDON BRANCH AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE SUB-SERVICER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "THE SUB-SERVICER". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SUB-SERVICER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTION REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE SUB-SERVICER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE ORIGINAL SELLER OR THE ORIGINATOR AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES AND/OR THE RESIDUAL CERTIFICATES OR THEIR DISTRIBUTION. THE ORIGINAL SELLERS AND THE ORIGINATOR ARE NOT TRANSACTION PARTIES AND HAVE NO OBLIGATIONS IN RESPECT OF THE ISSUER, THE NOTES AND/OR THE RESIDUAL CERTIFICATES.

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THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, OR ANY RELEVANT PARTY TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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

IN THIS PROSPECTUS ALL REFERENCES TO "euro", "EUROS" and "€" ARE REFERENCES TO THE SINGLE CURRENCY INTRODUCED AT THE THIRD STAGE OF EUROPEAN ECONOMIC AND MONETARY UNION PURSUANT TO THE TREATY ESTABLISHING THE EUROPEAN COMMUNITIES AS AMENDED FROM TIME TO TIME.

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

Forward-Looking Statements

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Mortgage Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in Germany. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. None of the Relevant Parties (or any of their respective affiliates) has attempted to verify any such statements, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. No Relevant Party (or any of their respective affiliates) 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.

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RISK FACTORS

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

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

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

The purchase of the Notes involves substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of the Notes should (i) ensure that they understand the nature of the Notes and the extent of their exposure to risk, (ii) consider carefully, in the light of their own financial circumstances and investment objectives (and those of any accounts for which they are acting) and in consultation with such legal, financial, regulatory and tax advisers as it deems appropriate, all the information set out in this Prospectus so as to arrive at their own independent evaluation of the investment, and (iii) confirm that an investment in the Notes is fully consistent with their respective financial needs, objectives and any applicable investment restrictions and is suitable for them. The Notes are not a conventional investment and carry various unique investment risks, which prospective investors should understand clearly before investing in them. In particular, an investment in the Notes involves the risk of a partial or total loss of investment.

Credit Structure

Liabilities under the Notes

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 Relevant Parties or by any person other than the Issuer.

The Notes do not represent deposits or other liabilities of Macquarie Bank Limited, Macquarie Group Limited (ABN 94 122 169 279) ("**MGL**"), the Arranger, L2 B.V. or any of their associated entities (together, the "**Macquarie entities**"). The holding of the Notes is subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of the Macquarie entities guarantees the payment or repayment or the return of any principal invested in, or any particular rate of return on, the Notes or the performance of the Portfolio. In addition, none of the obligations of the L2 B.V. are guaranteed in any way by the other Macquarie entities and no party guarantees in any way the performance of another party (other than in respect of the guarantee provided by Macquarie Bank Limited, London Branch under the Mortgage Sale Agreement, in relation to certain payment obligations of L2 B.V.).

Limited source of Funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts from the Loan Receivables and their Related Security, amounts received from the Seller and/or the Guarantor pursuant to the Mortgage Sale Agreement, interest earned on the Issuer Accounts (other than amounts representing interest earned on any Swap Collateral), income from any Authorised Investments (other than any amount of income received in respect of the Swap Collateral), the Rated Note Reserve Fund (applied in accordance with the terms of the Cash Management Agreement) and the net receipts under a swap agreement relating to the Swap Transaction between, *inter alios*, the Issuer and the Swap Provider (the "**Swap Agreement**"). Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation of the Issuer under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Assets following service of an Enforcement Notice is described below (see further "*Limited recourse*" below).

Limited recourse

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

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

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

Limitations on enforcement

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

Deferral of Interest Payments on the Notes

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) that would otherwise be payable absent the deferral provisions in respect of any Class of Notes (other than the Most Senior Class of Notes) after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer

will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with the Conditions. Any such deferral in accordance with the Conditions will not constitute an Event of Default (subject to the grace period provided for in the Conditions).

Failure to pay interest on the Most Senior Class of Notes shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

Credit risk

The Issuer is subject to the risk of default in payment by the relevant individual or individuals specified as borrowers in the Mortgage Conditions in respect of such Purchased Loan Receivable or the individual or individuals (if any) from time to time assuming an obligation to repay (under a guarantee or otherwise) such Loan or any part of it (collectively, the "**Borrowers**" and each a "**Borrower**"), and the failure by the Master Servicer, in conjunction with the Sub-Servicer, to realise or recover sufficient funds under the arrears and default procedures in respect of any Purchased Loan Receivable and its Related Security in order to discharge all amounts due and owing by the relevant Borrower(s) under such Mortgage Loan, which may adversely affect payments on the Notes. This risk is mitigated to some extent by certain credit enhancement features which are described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss. Should there be credit losses arising in respect of the Mortgage Loans, this could have an adverse effect on the ability of the Issuer to make payments of interest and/or principal on the Notes.

Liquidity of the Issuer

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers (if, for example, such payment is made after the end of the Collection Period immediately preceding the Interest Payment Date). This risk is addressed in respect of the Rated Notes by the provision of liquidity from alternative sources (including the use of Senior Principal Reallocation Amounts to the extent of any Residual Senior Shortfall, and, in the case of all of the Rated Notes, including the Class A Notes and the Rated Note Reserve Fund), as more fully described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such liquidity support features, or that such features will protect the Noteholders from all risk of delayed payment and/or loss.

Subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Subordinated Notes

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

Subject to the Pari Passu Conditions, the Class B Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, as provided in the Conditions and the Transaction Documents.

Subject to the Pari Passu Conditions, the Class C Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes, as provided in the Conditions and the Transaction Documents.

Subject to the Pari Passu Conditions, the Class D Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in the Conditions and the Transaction Documents.

Subject to the Pari Passu Conditions, the Class E Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes as provided in the Conditions and the Transaction Documents.

Subject to the Pari Passu Conditions, the Class F Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes as provided in the Conditions and the Transaction Documents.

Subject to the Pari Passu Conditions, the Subordinated Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to all payments due in respect of the Rated Notes, as provided in the Conditions and the Transaction Documents. Noteholders should be aware that on any Interest Payment Date, prior to the service of an Enforcement Notice, on which the Pari Passu Conditions have been met and the Retained Hold Limit has been reached, the Class F Notes and the Subordinated Notes will receive amounts of principal paid to them on a *pari passu* basis with the Most Senior Class of Notes, such that the Rated Notes Pro Rata Amount will be applied towards a redemption of the Most Senior Class of Notes, the Class F Notes Pro Rata Amount will be applied towards a redemption of the Class F Notes, and the Subordinated Notes Pro Rata Amount will be applied towards a redemption of the Subordinated Notes. Therefore, principal could be paid on the Class F Notes and the Subordinated Notes when principal is not paid on all Classes of Rated Notes other than the Most Senior Class of Notes, provided that the Class F Notes and the Subordinated Notes will not be entitled to an amount greater than their respective pro rata share (calculated on the basis of the ratio of the Principal Amount Outstanding of the Class F Notes or the Subordinated Notes, as applicable, to the ratio of the Principal Amount Outstanding of all Notes then outstanding) of Available Principal Receipts available to be applied in accordance with the Pre-Enforcement Principal Priority of Payments on the relevant Interest Payment Date (see Condition 4.1(h) "*Status and relationship between the Notes*").

The Residual Certificates are subordinate to all rights of payment of interest on the Notes, as provided in the terms and conditions of the Residual Certificates (the "**Residual Certificates Conditions**") and the Transaction Documents.

In addition to the above, payments on the Notes and the Residual Certificates are subordinate to payments of certain fees, costs and expenses payable to the other Secured Creditors (including the Note Trustee, the Security Trustee, the Issuer Account Bank, the Corporate Services Provider, the Swap Provider (other than (in respect of the Rated Notes) certain subordinated swap payments), the Master Servicer, the Cash Manager, the Paying Agents, the Registrar and the Agent Bank) and certain third parties. For further information on the likely costs payable to such Secured Creditors, please see "*Transaction Overview – Fees*" below.

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

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

Revenue and Principal Deficiency Ledger

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts (excluding for such purposes any Senior Principal Reallocation Amounts and any Excess Principal Amounts) and any Rated Note Reserve Fund Liquidity Release Amount to meet any Interest Shortfall, there would be a Residual Senior Shortfall, the Issuer shall apply Available Principal Receipts (if any) in accordance with item (a) of the Pre-Enforcement Principal Priority of Payments to cure such Residual Senior Shortfall (such reapplied amounts, "**Senior Principal Reallocation Amounts**"). Available Principal Receipts may only be redirected

as Senior Principal Reallocation Amounts and applied as Available Revenue Receipts to cover such Residual Senior Shortfall (arising as a result of any inability to pay amounts due in respect of interest on the Class A Notes and certain prior ranking payments). The Issuer will not be able to use Available Principal Receipts to pay interest on any other Class of Notes to the extent Available Revenue Receipts (disregarding Senior Principal Reallocation Amounts) and Rated Note Reserve Fund Liquidity Release Amounts are not sufficient.

Application of any Available Principal Receipts as Senior Principal Reallocation Amounts (in addition to the aggregate of (i) all realised losses on the Mortgage Loans which are not recovered from the proceeds following the sale of the Property to which such Mortgage Loan relates, and (ii) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Mortgage Loan (together, the "**Losses**")) will be recorded as a debit first on the principal deficiency ledger relating to the Overcollateralisation Amount and maintained by the Cash Manager in accordance with the Cash Management Agreement (the "**OC Principal Deficiency Sub-Ledger**") until the debit balance of the OC Principal Deficiency Sub-Ledger is equal to the aggregate Current Balance of the Mortgage Loans in the Portfolio as at the Cut-off Date minus the sum of the Principal Amount Outstanding of the Rated Notes and the Class F Notes as at the Closing Date, next on the Class F Principal Deficiency Sub-Ledger until the debit balance of the Class F Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class F Notes then outstanding, and next on the Class E Principal Deficiency Sub-Ledger until the debit balance of the Class E Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class E Notes then outstanding, and next on the Class D Principal Deficiency Sub-Ledger until the debit balance of the Class D Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class D Notes then outstanding, and next on the Class C Principal Deficiency Sub-Ledger until the debit balance of the Class C Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class C Notes then outstanding, and next on the Class B Principal Deficiency Sub-Ledger until the debit balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding, and next on the Class A Principal Deficiency Sub-Ledger until the debit balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, any principal deficiencies (should they arise) will be recouped from Available Revenue Receipts (including the Rated Note Reserve Fund Available Amount). Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Enforcement Revenue Priority of Payments, to credit first the Class A Principal Deficiency Sub-Ledger, second the Class B Principal Deficiency Sub-Ledger, third the Class C Principal Deficiency Sub-Ledger, fourth the Class D Principal Deficiency Sub-Ledger, fifth the Class E Principal Deficiency Sub-Ledger, sixth the Class F Principal Deficiency Sub-Ledger and seventh the OC Principal Deficiency Sub-Ledger in each case, until the balance standing to the credit of the relevant sub-ledger is reduced to zero

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

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

Interest Rate Risk

The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Purchased Loan Receivables and the rate of interest payable in respect of the Notes. The Mortgage Loans in

the Portfolio pay or will pay a fixed rate of interest for the relevant interest period. However, the Issuer's liabilities under the Notes are based on EURIBOR for the relevant period.

To provide a hedge against the possible variance between:

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

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

A failure by the Swap Provider to make timely payments of amounts due under the Swap Transaction will constitute a default under the Swap Agreement. The Swap Agreement provides that the Euro amounts owed by the Swap Provider on any payment date under the Swap Transaction (which corresponds to an Interest Payment Date) may be netted against the Euro amounts owed by the Issuer on the same payment date under the Swap Transaction. Accordingly, if the amounts owed by the Issuer to the Swap Provider on a payment date in respect of the Swap Transaction are greater than the amounts owed by the Swap Provider to the Issuer on the same payment date under the Swap Transaction, then the Issuer will pay the difference to the Swap Provider on such Interest Payment Date in respect of the Swap Transaction; if the amounts owed by the Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to the Swap Provider on the same payment date in respect of the Swap Transaction, then the Swap Provider will pay the difference to the Issuer on such Interest Payment Date; and if the amounts owed by both parties are equal on a payment date in respect of the Swap Transaction, neither party will make a payment to the other on such Interest Payment Date in respect of the Swap Transaction.

To the extent that the Swap Provider defaults in its obligations under or in respect of the Swap Transaction to make payments to the Issuer in Euro, on any payment date (which corresponds to an Interest Payment Date) under the Swap Transaction, the Issuer will be exposed to the possible variance between the various fixed rates payable on the Mortgage Loans in the Portfolio and EURIBOR. If the Swap Transaction terminates early due to the occurrence of certain events under the Swap Agreement or it terminates on its scheduled maturity date (which falls 28 years prior to the Final Maturity Date of the Notes), in each case without the Issuer entering into one or more replacement swap transactions, the Issuer will also be exposed to the possible variance between the various fixed rates payable on the Mortgage Loans in the Portfolio and EURIBOR.

The Issuer pays a fixed rate under the Swap Transaction. This fixed rate is not intended to be an exact match of the interest rates that the Issuer receives in respect of the Purchased Loan Receivables in the Portfolio, as the notional amount of the Swap Transaction is based on the aggregate Outstanding Principal Balance of the Mortgage Loans as at the Fixed Interest Reference Date immediately preceding the relevant Swap Calculation Period (disregarding any Mortgage Loans which are more than three months in arrears). As such, there may be circumstances in which the rate payable by the Issuer under the relevant Swap Transaction exceeds the amount that the Issuer receives in respect of the Mortgage Loans in the Portfolio. Given the Issuer is paying a fixed amount and receiving a floating EURIBOR amount under the Swap Transaction based on the aggregate Outstanding Principal Balance of the Mortgage Loans which are not more than three months in arrears, depending on the performance of the Mortgage Loans, there may be circumstances in which the EURIBOR amount received by the Issuer under the Swap Transaction is less than the Issuer's EURIBOR obligations in respect of the Rated Notes. In such circumstances, the Issuer will be exposed to the possible variance between the fixed rates payable on the Mortgage Loans in the Portfolio which are more than three months in arrears and EURIBOR.

Termination payments under the Swap Transaction

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

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

If the Swap Transaction terminates at its scheduled maturity, rather than terminating early upon the occurrence of certain events under the ISDA Master Agreement, a termination payment will not be due under the ISDA Master Agreement.

Replacement swap transactions

If the Swap Transaction has terminated, either due to the occurrence of certain events under the Swap Agreement, or following the scheduled maturity of the Swap Transaction, no assurance can be given as to the ability of the Issuer to enter into one or more replacement swap transactions, or if one or more replacement swap transactions are entered into, as to the ultimate creditworthiness of the Swap Provider for the replacement swap transactions. The Swap Replacement Facilitator has, however, been appointed by the Issuer to assist with identifying a substitute swap provider.

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

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

The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. However, the rate of payment cannot be predicted. Subject to the terms and conditions of the Mortgage Loans, a Borrower may prepay principal under certain circumstances (See further "*Risk Factors – Regular termination rights of Borrowers – Interest Rate Reset*" below). No assurance can be given as to the level of prepayments that the Portfolio will experience. Accelerated prepayments will lead to a reduction in the weighted average life of the Notes. Generally, when market interest rates decrease, Borrowers are more likely to exercise their

existing rights for a full or partial prepayment of their mortgage loans permitted under the terms and conditions of the Mortgage Loans, while conversely, when market interest rates increase, borrowers are generally less likely to exercise such rights. If there has been a material breach of any of the representations and warranties made by the Seller in respect of such Purchased Loan Receivable under the Mortgage Sale Agreement, then the remedies available to the Issuer may have a similar effect as a prepayment of the relevant Mortgage Loans. There are, however, limitations on the right of the Issuer to ask the Seller to repurchase the relevant Purchased Loan Receivable and its Related Security, see further "*Limited remedies available to the Issuer in respect of any breach of representation or warranty made by the Seller under the Mortgage Sale Agreement*" below. As a result of these and other relevant factors not being within the control of the Issuer, no assurance can be given as to the timing or level of redemptions of the Notes. Payments and prepayments of principal on the Mortgage Loans will be applied, *inter alia*, to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Enforcement Principal Priority of Payments either in a sequential or a pro rata basis (see "*Cashflows*" below). Noteholders should be aware that on any Interest Payment Date, prior to the service of an Enforcement Notice, on which the Pari Passu Conditions have been met and the Retained Hold Limit has been reached, the Class F Notes and the Subordinated Notes will have amounts of principal paid to them on a *pari passu* basis with the Most Senior Class of Notes and ahead of payments of principal made on all Classes of Rated Notes other than the Most Senior Class of Notes, such that the Rated Notes Pro Rata Amount will be applied towards a redemption of the Most Senior Class of Notes, the Class F Notes Pro Rata Amount will be applied towards a redemption of the Class F Notes, and the Subordinated Notes Pro Rata Amount will be applied towards a redemption of the Subordinated Notes. Therefore, principal could be paid on the Class F Notes and the Subordinated Notes when principal is not paid on all Classes of Rated Notes other than the Most Senior Class of Notes, provided that the Class F Notes and the Subordinated Notes will not be entitled to an amount greater than their respective pro rata share (calculated on the basis of the ratio of the Principal Amount Outstanding of the Class F Notes or the Subordinated Notes, as applicable, to the ratio of the Principal Amount Outstanding of all Notes then outstanding) of Available Principal Receipts available to be applied in accordance with the Pre-Enforcement Principal Priority of Payments on the relevant Interest Payment Date (see Condition 4.1(h) "*Status and relationship between the Notes*").

The Issuer may, subject to certain conditions, redeem all of the Notes on any Interest Payment Date on which (i) the aggregate Principal Amount Outstanding of the Rated Notes and the Class F Notes and the Subordinated Notes (as of the immediately preceding Calculation Date) *plus* (ii) the balance standing to the credit of the Rated Note Reserve Fund (on the immediately following Interest Payment Date, prior to the application of any monies in accordance with the Priorities of Payment on such date), is less than or equal to 10% of the Principal Amount Outstanding of the Rated Notes and the Class F Notes and the Subordinated Notes on the Closing Date. Neither the Seller nor the Retention Holder is required to repurchase the Portfolio and the Issuer is not required to accept any such offer to repurchase. As such, no assurance can be given that the Issuer will have sufficient funds to redeem the Notes in such circumstances. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer or the Swap Provider being required to make a deduction or withholding for or on account of tax or as a result of certain illegality events. This may adversely affect the yield to maturity on the Notes.

Furthermore, provided that the Majority Certificateholder is not (i) (at any time) the Seller or (ii) (prior to the occurrence of the Regulatory Date (as defined below)) any Holding Company or any other Subsidiary of such Holding Company with respect to the Seller or the Retention Holder ("**Seller Related Person**"), the Majority Certificateholder has the option pursuant to Condition 8 ("*Majority Certificateholder Portfolio Purchase Option*") of the Residual Certificates Conditions and the Trust Deed, to elect to purchase the Purchased Loan Receivables from the Issuer on any Interest Payment Date falling on or after the Optional Redemption Date at a price equal to the Majority Certificateholder Portfolio Purchase Option Price. On an Interest Payment Date on which all conditions to completion of the Majority Certificateholder Purchase Option will have been satisfied, the Majority Certificateholder Portfolio Purchase Option Purchase Price will result in the Rated Notes, the Class F Notes and the Subordinated Notes being redeemed in full. However the Majority Certificateholder does not have an obligation to exercise its rights in respect of the Majority Certificateholder Portfolio Purchase Option. Furthermore, as at the Closing Date, the Majority

Certificateholder will be the Retention Holder. As at the date of this Prospectus, the Retention Holder nor any other Seller Related Person is, in accordance with Australian prudential requirements, able to exercise the Majority Certificateholder Portfolio Purchase Option. Additionally, as at the date of this Prospectus, there is no indication that such Australian prudential requirements will be relaxed or removed by APRA at any point in the future. As a result, no assurance can be given that the Notes will be redeemed in full and the Residual Certificates cancelled on or following the Optional Redemption Date as a result of a sale of the Portfolio.

In addition to the above options, the Issuer may, in consultation with the Refinancing Facilitator, issue Refinancing Notes on or after the Optional Redemption Date. The proceeds of the Refinancing Notes will be used to effect a redemption in full of the Notes of each Class (including the Subordinated Notes and the Class F Notes). There is no obligation on the Issuer to issue or the Refinancing Facilitator to direct the Issuer to issue Refinancing Notes. Additionally, while the Refinancing Facilitator will consult with the Issuer with regards to the Issuer choosing (at its discretion) to issue any Refinancing Notes and has agreed to undertake certain marketing activities in respect of the Refinancing Notes, the Refinancing Facilitator will not be, for legal and regulatory reasons, the initial or ultimate purchaser of the such Refinancing Notes and will not be under any contractual obligation in such respect. The proceeds from the issuance of the Refinancing Notes will be applied by the Issuer as Available Principal Receipts and must, together with any additional funds available to the Issuer, be sufficient to redeem in full all amounts of interest and principal due in respect of the Notes in accordance with the Pre-Enforcement Priority of Payments.

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

In respect of a material breach of any Loan Warranty in respect of the Purchased Loan Receivables and the Related Security that is not remedied within applicable time periods or not capable of remedy, the Issuer may serve a notice on the Seller requiring the Seller to repurchase such Purchased Loan Receivable and its Related Security. The Issuer may only require the Seller (or, failing the Seller, MBL as Guarantor under the Mortgage Sale Agreement) to repurchase a Purchased Loan Receivable and its Related Security (in accordance with the terms of the Mortgage Sale Agreement) prior to the expiry of the period of 120 days (such period commencing on the Closing Date and ending on the last day of that 120 day period, or such greater period as may be agreed between the Seller and the Australian Prudential Regulation Authority (the "**Prescribed Period**")). Following the end of the Prescribed Period (or if the Issuer (or the Master Servicer on its behalf) has not served a notice requiring repurchase of the relevant Purchased Loan Receivable and its Related Security prior to 15 Business Days before the end of the Prescribed Period), the sole remedy of the Issuer in respect of any material breach of Loan Warranty (which is not remedied within the prescribed time period or not capable of remedy) will be an indemnity from the Seller (failing which MBL as guarantor under the Mortgage Sale Agreement) against any actual costs, damages or loss arising from any representation or warranty being materially incorrect when made by the Seller pursuant to the Mortgage Sale Agreement in relation to a Purchased Loan Receivable and its Related Security (any amount being a "**Loan Indemnity Warranty Payment**"). The amount of any Loan Indemnity Warranty Payment will be the amount of any actual costs, damages or loss suffered by the Issuer (as determined by the Master Servicer), subject to a maximum amount equal to (i) 93.44% multiplied by the Current Balance of the affected Purchased Loan Receivable and its Related Security (disregarding for these purposes limb (c) of the definition of Current Balance) plus (ii) an amount equal to limb (c) of the definition of Current Balance, in respect of the relevant Purchased Loan Receivable and its Related Security and any outstanding fees in respect of the Purchased Loan Receivable determined by the Master Servicer. As the amount of any Loan Indemnity Warranty Payment is based upon the amount of actual costs, damages or loss suffered by the Issuer (as determined by the Master Servicer), such costs, damages or loss may not be known at the time at which the material breach of Loan Warranty is discovered and further additional time (which could be months or years) may be required before such actual loss can be determined. Accordingly, any payment required to be made by the Seller in respect of any breach of Loan Warranty (or, failing which, MBL under the guarantee provided by it under the Mortgage Sale Agreement) may be significantly delayed.

No additional sources of funds after the Optional Redemption Date

As of the Optional Redemption Date, the margin on the Rated Notes will be increased. There will, however, be no additional receipts or other sources of funds available to the Issuer at such time, nor is it expected that any of the sources of income available to the Issuer prior to the Optional Redemption Date will be increased. In such circumstances, the Issuer may not have sufficient funds to pay all amounts of interest (including any Step-Up Margin on the Rated Notes).

Absence of secondary market

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

Ratings of the Rated Notes

The ratings of the Rated Notes address the likelihood of, in respect of the Rated Notes, full and timely payment to the holders of the Rated Notes of all payments of interest on each Interest Payment Date and, in respect of the Rated Notes, the likelihood of ultimate payment to the holders of the Rated Notes on or prior to the Final Maturity Date. The Class F Notes and the Subordinated Notes will not be rated by the Rating Agencies.

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

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

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

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

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

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

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

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

Where the Transaction Documents allow the Issuer to seek a Rating Agency Confirmation and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer and (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response, or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given, and (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts, then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if (1) the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by a director certifying and confirming that each of the events in sub-paragraphs (i) (A) or (B) and (ii) has occurred and (2) the Issuer having sent such a written request to each Rating Agency. Where a Rating Agency Confirmation is a condition to any action or step under any Transaction Document and it is deemed to be modified as a result of a Non-Responsive Rating Agency not having responded to the relevant request from the Issuer within 30 days, there remains a risk that such Non-Responsive Rating Agency may subsequently downgrade, qualify or withdraw the then current ratings of the Rated Notes as a result of the action or step. Such a downgrade,

qualification or withdrawal to the then current ratings of the Rated Notes may have an adverse effect on the value of the Rated Notes.

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

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25% in aggregate Principal Amount Outstanding of the Most Senior Class of Notes (or if no Notes remain outstanding, of the Residual Certificates then in issue) or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes (or if no Notes remain outstanding, of the Residual Certificates then in issue) shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction), give an Enforcement Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued interest thereon as provided in a trust deed between the Issuer, the Security Trustee and the Note Trustee (the "**Trust Deed**").

Each of the Note Trustee and the Security Trustee may, at any time, at their absolute discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including the Conditions and the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) the other Transaction Documents to which it is a party or in respect of which (in the case of the Security Trustee) it holds security. In respect of and at any time after the service of an Enforcement Notice, the Security Trustee may, at its absolute discretion and without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such proceedings or steps (including, but not limited to, the giving of an Enforcement Notice in accordance with Condition 11 (*Events of Default*) or Residual Certificates Condition 11 (*Events of Default*)) unless it should have been directed to do so by the holders of the Most Senior Class of Notes (or if no Notes remain outstanding, of the Residual Certificates then in issue) and it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

See further "*Terms and Conditions of the Notes – Condition 12 (Enforcement)*" and "*Terms and Conditions of the Residual Certificates – Residual Certificates Condition 12 (Enforcement)*" below.

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

In relation to the covenant to be given by the Retention Holder and the Seller to the Arranger and the Joint Lead Managers (in the Subscription Agreement) and to the Issuer and the Security Trustee in the Mortgage Sale Agreement in accordance with the CRR, the AIFM Regulation and the Solvency II Regulation regarding the material net economic interest to be retained by the Retention Holder in the securitisation and (in respect of CRR only) certain requirements as to providing investor information in connection therewith, neither the Note Trustee nor the Security Trustee will be under any obligation to monitor the compliance by the Retention Holder with such covenant and will not be under any obligation to take any action in relation to non-compliance with such covenant unless and until the Note Trustee or the Security Trustee has received actual written notice of the same from any Transaction Party, in which event the only obligation of the Note Trustee or the Security Trustee shall be to notify the Issuer (who shall notify the Noteholders and the other Secured Creditors of the same) and, subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction, to take such further action as it is directed to take in connection with such non-compliance by an Extraordinary Resolution of the holders of the Most Senior Class of Notes.

Meetings of Noteholders and Certificateholders, Modification and Waivers

The Conditions and the Residual Certificates Conditions contain provisions for calling meetings of Noteholders and Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders and Certificateholders (including Noteholders and Certificateholders who did not attend and vote at the relevant meeting and Noteholders and Certificateholders who voted in a manner contrary to the requisite majority for such vote).

The Note Trustee may from time to time and at any time, only with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors and (while any of the Rated Notes remain outstanding) after the Issuer having notified the Rating Agencies, agree with the Issuer and any other parties and may direct the Security Trustee to agree with the Issuer and any other parties in making or sanctioning any modification: (a) to the Conditions, the Residual Certificates Conditions and/or the Transaction Documents, which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the Noteholders (or if there are no Notes outstanding, the interests of the Certificateholders) (subject to Clause 20(o)(iii) of the Trust Deed); or (b) to the Conditions, the Residual Certificates Conditions and/or to any of the Transaction Document if in the opinion of the Note Trustee such modification is of a formal, minor or technical nature or to correct a manifest error. The Conditions and Residual Certificates Conditions also specify that certain categories of amendments (including changes to majorities required to pass resolutions or quorum requirements) would be classified as Basic Terms Modifications. Investors should note that a Basic Terms Modification is required to be sanctioned by an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or the Residual Certificates then in issue, as applicable, which are affected by such Basic Terms Modifications unless the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and the holders of the Residual Certificates then in issue. The Conditions and the Residual Certificates Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, shall, without the consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, agree (and where applicable direct the Security Trustee to agree) to any modification to the Conditions or the Residual Certificates Conditions requested by the Issuer in order for it to comply with any requirements which apply to it under Regulation (EU) 648/2012, commonly known as the European Market Infrastructure Regulation ("EMIR"). The Note Trustee and/or the Security Trustee may also, without the consent of the Noteholders or the Certificateholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders or if no Notes are outstanding, the Certificateholders, at any time authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions or the Residual Certificates Conditions. See "*Terms and Conditions of the Notes – Condition 13 (Meetings of Noteholders, Modification, Waiver and Substitution)*" and "*Terms and Conditions of the Residual Certificates – Residual Certificates Condition 13 (Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution)*" below.

Further, the Note Trustee and/or the Security Trustee (as the case may be) may also be obliged, in certain circumstances, to agree to amendments to the Conditions and/or the Transaction Documents for the purpose of (i) complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, (ii) complying with certain risk retention legislation, regulations or official guidance in relation thereto, (iii) enabling the Notes to be (or to remain) listed on the Irish Stock Exchange, (iv) enabling the Issuer or any of the other Transaction Parties to comply with FATCA, and (v) complying with any changes in the requirements of the CRA Regulation after the Closing Date (each a "**Proposed Amendment**"), without the consent of Noteholders pursuant to and in accordance with the detailed provisions of Condition 13.6.

In relation to any such Proposed Amendment, the Issuer is required to give at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notice to*

Noteholders) and by publication on Bloomberg on the "Company News" screen relating to the Notes. However, Noteholders should be aware that, in relation to each Proposed Amendment, unless Noteholders representing at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification, the Proposed Amendment will be made without Noteholder consent.

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

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

Rights of Noteholders, Certificateholders and Secured Creditors

No Right in Mortgage Loans

The ownership of a Note does not confer any right to, or interest in, any Mortgage Loan or Purchased Loan Receivable or any right against any Borrower or any third party under or in connection with any Mortgage Loans or against the Seller or the Master Servicer.

Conflict between Noteholders

The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of all Classes of Noteholders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise). The Deed of Charge contains provisions requiring the Security Trustee subject to being indemnified and/or secured and/or prefunded) to act on the instructions of the Note Trustee.

If, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, however, there is or may be a conflict between the interests of the holders of one or more Classes of Notes, on the one hand, and the interests of the holders of one or more other Classes of Notes, on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the holders of the relevant affected Class of Notes ranking in priority to other relevant Classes of Notes in the Post-Enforcement Priority of Payments.

As a result, holders of Notes other than the Most Senior Class of Notes may not have their interests taken into account by the Note Trustee or the Security Trustee when the Note Trustee or the Security Trustee exercises discretion.

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

For certain purposes (including the determination as to whether Notes are deemed outstanding or Residual Certificates are deemed in issue) for the purposes of convening a meeting of Noteholders or

Certificateholders, those Notes or Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of a Relevant Group Person, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding except where all of the Notes of any Class or all of the Residual Certificates are held by or on behalf of or for the benefit of one or more Relevant Group Persons, in which case such Classes of Notes (the "**Relevant Class of Notes**") or the Residual Certificates shall be deemed to remain outstanding except that, if there is any other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Group Persons are not the beneficial owners of all the Notes of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding. For these purposes, "**Relevant Group Person**" means the Seller, the Retention Holder, any holding company as defined in section 1159 of the Companies Act 2006 ("**Holding Company**") of any of the Seller or the Retention Holder or any other subsidiary as defined in section 1159 of the Companies Act 2006 ("**Subsidiary**") of either such Holding Company.

Conflict between Noteholders, Certificateholders and other Secured Creditors

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed, Condition 13.5 and Residual Certificates Condition 13.5.

In respect of the interests of the Certificateholders, the Trust Deed contains provisions requiring the Note Trustee not to have regard to the interests of the Certificateholders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee, and requiring the Note Trustee to, except where expressly provided otherwise, have regard only to the interests of the Noteholders for so long as there are any Notes outstanding.

Risks related to the Mortgages

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

The Mortgage Sale Agreement provides that the assignment of the Purchased Loan Receivables to the Issuer will not be disclosed to the Borrowers at the closing of the transaction but may only be disclosed to the relevant Borrowers in certain limited circumstances, such as the occurrence of certain events in relation to the Seller or the termination of the appointment of the Seller as the Master Servicer.

Noteholders should be aware that even if the assignment of the Purchased Loan Receivables to the Issuer has been disclosed to the Borrowers, Borrowers may invoke all defences against the Issuer (a) which were legally available (*rechtlich begründet*) against the Seller at the time of assignment of the Purchased Loan Receivables from the Seller to the Issuer in accordance with Section 404 of the German Civil Code (*Bürgerliches Gesetzbuch*), and (b) which were legally available (*rechtlich begründet*) against any prior creditor of the Purchased Loan Receivables at the time of assignment of the Purchased Loan Receivables from such prior creditor to the relevant assignee. In addition, pursuant to Section 406 of the German Civil Code (*Bürgerliches Gesetzbuch*) any Borrower may set off against the Issuer an existing counterclaim which the relevant Borrower has against the Seller (or potentially, any prior creditor of the Purchased Loan Receivables), unless the relevant Borrower knew of the assignment of the Purchased Loan Receivables to the Issuer (or alternatively, the assignment by such prior creditor of the Purchased Loan Receivables to an assignee) at the time it acquired the counterclaim, or unless the counterclaim has only become due and payable after (i) the relevant Borrower had obtained knowledge of the relevant assignment, and (ii) the respective Purchased Loan Receivable became due and payable. Therefore, the respective Borrower could use a claim which it has against the Seller (and potentially, against any prior creditor of the Purchased Loan Receivables) to set off against the Purchased Loan Receivable if the above-mentioned requirements are met (but see further Loan Warranty (s) made by the Seller in "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Representations and Warranties*").

Section 496 of the German Civil Code provides that any agreement by which a borrower (i.e. a Borrower) waives its rights pursuant to Sections 404 and 406 of the German Civil Code to invoke defences or to set off against the assignee (i.e. the Issuer) a claim which it has against the assignor (i.e. the Seller) is invalid.

In addition, prior to a disclosure of the assignment of the Purchased Loan Receivables to the Borrowers, the Issuer must accept as binding against itself any act of performance by the Borrowers in favour of the Seller after the assignment to the Issuer and any other legal transaction entered into after the assignment between the Borrowers and the Seller in respect of the Purchased Loan Receivables.

Regular termination rights of Borrowers – Interest Rate Reset

The Mortgage Loans in the Portfolio require Borrowers to pay a fixed rate of interest on the respective outstanding amount of the Mortgage Loan. However, the time period for which a specific fixed interest rate has been agreed in respect of the Mortgage Loan may often be shorter than the agreed overall term of the Mortgage Loan. In such case, the Master Servicer will aim to negotiate and agree with the relevant Borrower a new fixed interest rate that will become applicable upon expiry of the prior fixed rate interest period. No assurance can, however, be given that an agreement with the relevant Borrower will be reached or that any new fixed interest rate will generate sufficient cashflow to enable the Issuer to make payments in full on the Notes.

Furthermore, in case of an expiry of a fixed rate interest period (*Sollzinsbindung*), a Borrower may terminate the Mortgage Loan pursuant to Section 489 para. (1) No. 1 of the German Civil Code in full or in part with effect as of a date on which the fixed interest period ends by giving one month's prior notice to the relevant lender, if (i) the fixed interest period ends prior to the agreed repayment date in respect of the Mortgage Loan, and (ii) no new agreement is reached in respect of the interest rate between the relevant lender and the relevant borrower. Upon any such termination, the Mortgage Loan thereby becomes due and repayable (as described in more detail below at the end of this risk factor).

Mortgage Loans with a fixed rate of interest may be terminated by a borrower pursuant to Section 489 para. (1) No. 2 of the German Civil Code in any event upon the expiry of a ten year period following the full disbursement of the Mortgage Loan (i.e. when all amounts have been made available to the Borrower). Such termination must be notified to the relevant lender by giving at least six months' prior notice. If after the disbursement of the loan the loan agreement is amended (e.g. amendments relating to the repayment date or the interest rate of the mortgage loan), the date of such amendment will replace the date of the original disbursement of the mortgage loan.

Pursuant to Section 489 para. (4) sentence 1 of the German Civil Code, the statutory termination rights described in the two preceding paragraphs cannot be excluded nor derogated from to the detriment of a borrower.

Given the origination dates of the Mortgage Loans contained in the Portfolio and/or the fixed interest periods currently applicable to such Mortgage Loans, a substantial number of Mortgage Loans contained in the Portfolio will entitle Borrowers to early termination of the Mortgage Loans in accordance with Section 489 para. (1) No. 1 and Section 489 para. (1) No. 2 of the German Civil Code in the foreseeable future.

If Borrowers exercise their statutory right to terminate the Mortgage Loans early in accordance with Section 489 para. (1) No. 1 and Section 489 para. (1) No. 2 of the German Civil Code, such Borrowers are obliged to repay the relevant Mortgage Loan in full within two weeks of the termination becoming effective without being obliged to pay any prepayment penalty. If a Borrower fails to repay the Mortgage Loan upon exercising its early termination right, the notice of termination is deemed not to have been given (Section 489 para. (3) of the German Civil Code).

Characteristics of the Portfolio

The information in the section headed "*Characteristics of the Provisional Portfolio*" has been extracted from the systems of the Servicer as at 30 April 2015 (the date of extraction in respect of each loan, the "**Portfolio Reference Date**"). The Portfolio as at the Portfolio Reference Date comprised of 1,574 Mortgage Loans with an aggregate current balance calculated by reference to the current balance of each loan as at its Portfolio Reference Date of €197,731,218.59. The Portfolio will be sold to the Issuer on the Closing Date and will comply with the Loan Warranties as at the Closing Date. The characteristics of the Portfolio as at the Closing Date will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of Mortgage Loans and the removal of any Mortgage Loans from the Portfolio that do not comply with the Loan Warranties as at the Closing Date. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Portfolio between 30 April 2015 and the Closing Date.

The Portfolio

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

Borrowers may default on their obligations under the Mortgage Loans in the Portfolio. As at the Cut-off Date, none of the Mortgage Loans in the Portfolio (calculated by reference to the Current Balance of the Portfolio as at such date) were more than 60 days in arrears in respect of any payment required pursuant to the loan contract underlying such Mortgage Loan, without giving effect to any applicable grace period. This statistic should, however, not be read as to imply that no Borrower may default on their obligations under the Mortgage Loans in the future. Defaults may occur for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Although interest rates are currently low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Mortgage Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Mortgage Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and insolvency proceedings in relation to (and analogous arrangements of) Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgage Loans. In addition, the ability of a Borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time. The Issuer understands that a valuation for each Property was obtained by the Originator on or about the time of origination of each Mortgage Loan in a form acceptable to the Originator in accordance with its origination policies, subject to certain exceptions as were acceptable to the Originator. For further information on the Mortgage Loans, see "*The Mortgage Loans*".

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

A substantial portion of the Mortgage Loans in the Portfolio contains provisions pursuant to which interest rates are due to be reset prior to the final maturity date of the Mortgage Loans. If mortgage interest rates should experience a significant increase, an interest rate reset at such higher rates would expose Borrowers to substantially increased monthly payments. Such event may contribute to higher delinquency rates and higher losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and/or principal on the Notes. In addition, higher mortgage interest rates may also affect the values of residential properties in Germany in general and the value of the Related Security in particular, see "*Declining Property Values*".

Declining property values

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

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

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

Geographic Concentration Risks

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

Interest-only Mortgage Loans

Each Mortgage Loan in the Portfolio is either in the form of an annuity loan with regular principal repayments during the term of such loan or an interest-only loan without any such regular principal repayments (see the section entitled "*Summary of the Key Transaction Documents – The Mortgage Sale Agreement*" for further details). Where the Borrower is only required to pay interest during the term of the Mortgage Loan, with the principal being repaid in a lump sum at the end of the term, it is generally recommended that Borrowers ensure that some repayment mechanism, e.g. in the form of life insurance policies or savings schemes (*Bauspardarlehen*), is put in place to ensure that adequate funds will be available to repay the principal amount of the loan at the end of the term.

The ability of a Borrower to repay an interest-only Mortgage Loan at maturity will often depend on such Borrower's ability to refinance or sell the Property or to obtain funds from the Policies (as defined in the following paragraph) or another source such as other personal savings. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the Borrower's age and employment status, the financial condition and payment history of the Borrower, tax laws and prevailing general economic conditions. In recent times,

mortgage lenders have maintained stricter conditions to the advancing of interest-only loans (and other loans) which are mortgages. The inability of the Borrowers to refinance their respective Properties may ultimately result in a reduction of amounts available to the Issuer and adversely affect its ability to make payments under the Notes.

Certain of the interest-only Mortgage Loans require the Borrower to enter into a life insurance policy or a savings scheme (*Bauspardarlehen*) (the "**Policies**") and to maintain such Policies throughout the term of the Mortgage Loan to ensure that adequate funds will be available to repay the principal amount of the loan at the end of the term. In the context of the Seller's acquisition of the Mortgage Loans, the Seller has also obtained security title to such rights under the Policies to the extent such security right had been granted to the E-MAC Issuer and such security title will also be transferred to the Issuer. While under the terms and conditions of the Mortgage Loans the Borrowers are required to maintain such Policies throughout the entire term of the Mortgage Loan and to make all payments due with respect thereto, there can be no assurance, however, that such Policies will be adequate to cover the full principal amount of the Mortgage Loans on the loan maturity date. Despite their legal obligation, Borrowers may not make payment of the premiums due on such Policies in full or on time and the returns generated by such Policies may be lower than expected at the time of origination of the Mortgage Loan. If a Borrower cannot repay an interest-only Mortgage Loan and a loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured from Available Revenue Receipts being applied for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.

The terms and conditions of the Mortgage Loans may also provide that the lender is entitled to switch the Mortgage Loan to a repayment loan in case the Borrower fails to make certain payments. Following such modification, the principal of the loan is repaid over its remaining term and the Issuer and Noteholders would receive redemption payments on the relevant Mortgage Loan and the relevant Notes respectively, earlier than would otherwise be the case. See further "*Risk Factors – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*" above.

Buy-To-Let Mortgage Loans

Some of the Mortgage Loans in the Portfolio are residential loans taken out by a Borrower in relation to the purchase or re-mortgage of a property for letting purposes (a "**Buy-To-Let Mortgage Loan**"). In relation to Buy-To-Let Mortgage Loans, the Borrower's ability to service such Mortgage Loans is likely to depend on the Borrower's ability to lease the relevant Properties on appropriate terms and thereby generate income from the Properties. There can be no assurance that each such Property will be the subject of an existing tenancy when the relevant Mortgage Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Mortgage Loan and/or that the rental income from such tenancy will be sufficient (whether or not there is any default of payment in rent) to provide the Borrower with sufficient income to meet the Borrower's interest obligations or capital repayments in respect of the Mortgage Loan. Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Master Servicer may not be able to obtain vacant possession of the Property, in which case the Master Servicer will only be able to sell the Property as an investment property with one or more sitting tenants. This may affect the amount which the Master Servicer could realise upon enforcement of the Mortgage and the sale of the Property. In such a situation, amounts received in rent may not be sufficient to cover all amounts due in respect of the Mortgage Loan.

Certain Mortgage Loans have been granted to finance the acquisition of properties constituting hereditary building rights (Erbbaurechte) by Borrowers

Certain of the Mortgage Loans included in the Portfolio have been granted to finance the acquisition of properties constituting hereditary building rights (*Erbbaurechte*) by Borrowers and the Mortgages securing such Mortgage Loans are therefore encumbering such hereditary building rights.

A hereditary building right is an encumbrance upon real property consisting of a long-term transferable and heritable right to build or develop the land above or below the surface. For the duration of his right, the holder may erect, use, enjoy or demolish buildings on the relevant land, typically in exchange for an obligation to make periodic ground lease payments (*Erbbauzins*) to the land owner for such rights. Typically, the ground lease payments are secured by a right in rem (*Erbbauzinsreallast*) which ranks and can be enforced senior to mortgages and land charges encumbering such hereditary building right and therefore also senior to the Mortgages. The details of the rights and obligations of the land owner and the holder of the hereditary building right are set out in the notarial deed by which the parties agree on the creation of such hereditary building right.

A hereditary building right usually is granted for a period of 30 to 99 years. As there are no statutory time restrictions, it can also be granted for a shorter or a longer period of time. The holder of the hereditary building right may transfer the hereditary building right and pass it on by way of succession; it can be encumbered with easements, mortgages and land charges in the same way as the underlying real property itself.

While the Mortgage Conditions require the Borrower to ensure that no requirement of consent by the relevant owner of the real property underlying the hereditary building right exists in case of a sale of the hereditary building right by an insolvency administrator or in case of an enforcement by way of a compulsory sale (or if such consent requirement exists, that this requirement is waived in favour of the mortgage lender), the Seller has not independently verified whether consent requirements do not exist (or where they exist or are registered as existing in the land register, whether this consent requirement has been waived in favour the mortgage lender) and the Seller can therefore make no statement on the existence or non-existence of such consent requirement. In case a consent of the owner of the real property underlying an hereditary building right would be required for a sale, the relevant land owner would be legally required to grant such consent if the envisaged transfer does not put the fulfilment of its rights and claims under the under the notarial deed creating the hereditary building right at risk. However, it is difficult and time-consuming to actually obtain such consent by way of court procedure. Substantial delays in enforcement may be the result which in turn may materially adversely affect the payments on the Notes received by Noteholders.

Furthermore, it is customary that the owner of the hereditary building right grants to the owner of the real property underlying the hereditary building right a right of first refusal which applies in case of sale of the respective hereditary building right. Any such arrangement may potentially reduce the value of the hereditary building right and therefore negatively affect the enforcement proceeds realised in case of an enforcement of the Mortgage encumbering an hereditary building right.

Property Insurance Policies

The terms and conditions of the Mortgage Loans require Borrowers to have buildings insurance for the relevant Property against fundamental risks such as fire, storms and other natural hazards. However, it will be difficult in practice for the Master Servicer and/or the Issuer to determine whether the relevant Borrower has valid insurance in place at any time. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts or contingent insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to make payment of interest and/or principal in respect of the Notes.

Mortgage litigation relating to the financing of overpriced properties

There has been substantial litigation in the German residential property market relating to the acquisition of residential properties by private individuals at substantially overpriced levels from real estate agents. In accordance with established case law of the Federal Supreme Court (*Bundesgerichtshof*), if the purchase price of a residential property sale exceeds a threshold of approximately 190% of the relevant market value

of the property, the seller of such property is considered to act *contra bonos mores* and the sales contract is held void. Such actions by fraudulent sellers can under certain circumstances also be raised against a lending entity financing the acquisition of such property, if the lending entity had knowledge of such fraudulent sales practices or if the lending entity is deemed to have had such knowledge. Under established case law of German courts which requires an assessment on a case-by-case basis, a lending entity can be deemed to have knowledge of such fraudulent sales practices if, in particular, it financed several properties sold by such real estate agents involved in fraudulent sales practices and is therefore deemed to have cooperated with such real estate agents in an institutionalised manner. If a lending entity has knowledge of such fraudulent sales practices of the property seller or if it is deemed to have such knowledge and it has not disclosed such information to the purchaser and loan borrower, the lending entity can be typically be found to be in violation of its disclosure obligations towards the borrower, which would entitle the borrower to rescind the mortgage loan and return such overpriced property to the financing lending entity against mutual reimbursement of all costs incurred and benefits received in relation to the mortgage loan and property acquisition since the acquisition of the property and the entering into of the mortgage loan; this is a situation that adversely affects the position of the lending entity granting the loan.

While a small number of Borrowers have raised complaints, no Borrower has commenced any litigation against the Seller in relation to any of the Mortgage Loans selected for inclusion in the Portfolio on the grounds that the acquisition of the relevant property financed by such Mortgage Loan was overpriced and the sales contract *contra bonos mores* in accordance with the case law described above and no Borrower has stopped making payments on any Mortgage Loan on such grounds. However, the Seller only acquired the Portfolio on 26 August 2014 and it therefore only has very limited information about the details of the origination of the Mortgage Loans. As a consequence, the Seller cannot (on the basis of current information available to it) rule out that in relation to certain Properties securing Mortgage Loans the relevant sales contract could potentially fall within the scope of the criteria established by German courts for sales at substantially overpriced values and that the Originator could potentially be deemed to have had knowledge of such fraudulent sales practices, a circumstance which a Borrower could potentially also invoke against the claims of the Seller or the Issuer in relation to the Mortgage Loans.

Assignability of Purchased Loan Receivables

As a general rule under German law, receivables are assignable unless their assignment is excluded either by mutual agreement or by the nature thereof or legal restrictions applicable thereto. The terms and conditions of the Mortgage Loans contain an explicit clause pursuant to which the Borrowers permit the assignment and transfer of the rights under the Mortgage Loan and the Mortgage by the Originator. Under the Mortgage Sale Agreement, the Seller will further represent to the Issuer on the Closing Date that the Seller has full right and legal title to the Purchased Loan Receivables and the Related Security, and no restrictions on the sale and assignment of the Purchased Loan Receivables and the Related Security are in effect. However, see "*Bank Secrecy and Data Protection*" below.

Searches, Investigations and Warranties in Relation to the Mortgage Loans

Neither the Note Trustee, the Security Trustee, the Retention Holder, the Arranger, the Joint Lead Managers (or any of their respective affiliates) nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Mortgage Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller (see the section entitled "*Summary of the Key Transaction Documents – The Mortgage Sale Agreement*" below for a summary of these). Mortgage Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for the Mortgage Loan or the relevant Mortgage Loan not being accepted for sale under the Mortgage Sale Agreement had such matters been revealed.

The Originator originated the Purchased Loan Receivables and the Original Seller sold its interest in the Mortgage Loans to the E-MAC Issuer on 13 January 2010. On 26 August 2014 the Seller acquired its interest in the Purchased Loan Receivables and their Related Security from the E-MAC Issuer under an assignment agreement and pursuant to a call option exercise agreement dated 2 July 2014 (the "**Call Option Exercise Agreement**"). In connection with its acquisition of the Purchased Loan Receivables and the Related Security, neither the Original Seller nor the E-MAC Issuer gave any representations and/or warranties in respect of the Purchased Loan Receivables and their Related Security. Although the Seller will give certain limited representations and warranties in respect of the Mortgage Loans sold by it, investors should be aware that the Seller was not the originator of any of the Mortgage Loans comprised in the Portfolio, it has not performed more than limited due diligence on a sample of Purchased Loan Receivables and their Related Security (excluding any Related Security other than the Mortgages), and therefore has only limited information about the Purchased Loan Receivables and their Related Security, including, without limitation, the origination of the Mortgage Loans.

The Seller does not have direct knowledge as to whether certain Loan Warranties (including the Loan Warranties which relate to the origination process) are correct or not. Accordingly since the Seller does not have direct knowledge as to matters relating to the actual origination of the Mortgage Loans, it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. Therefore, certain warranties relating to, amongst other things, the origination process are necessarily qualified by reference to the awareness of the Seller. In addition, as the Seller did not originate the Mortgage Loans it cannot give any assurance that the Lending Criteria were applied at the time of origination of the Mortgage Loans or that different criteria were applied. It may also be practically difficult for the Seller to detect a breach of warranty in respect of the Mortgage Loans sold by it to the extent that the same relates to a matter outside of the immediate knowledge of the Seller, as there is no on-going active involvement of the Originator of the Mortgage Loans, the Original Seller or E-MAC DE 2009 1 B.V. to monitor or notify any defect in relation to the circumstances of the Mortgage Loans.

The Master Servicer will have limited obligations to monitor compliance with the Loan Warranties following the Closing Date. To the extent that the Master Servicer detects any breach of the Loan Warranties, the Master Servicer shall inform the Issuer and the Security Trustee of such breach. However, neither the Master Servicer nor the Seller nor the Issuer nor the Note Trustee nor the Security Trustee will monitor compliance with the Loan Warranties. The primary remedy of the Issuer against the Seller if any of the Loan Warranties made by the Seller were materially breached or proves to have been materially untrue as at the Closing Date, which breach is not remedied in accordance with the Mortgage Sale Agreement, will, during the Prescribed Period (provided that notice of the same has been given no later than 15 Business Days prior to the end of the Prescribed Period), be to require the Seller to repurchase any relevant Purchased Loan Receivable and its Related Security in accordance with the repurchase provisions in the Mortgage Sale Agreement provided that notice of the need to repurchase a relevant Purchased Loan Receivable is received prior to 15 Business Days before the end of the Prescribed Period and the breach is not remedied within 15 Business Days of being notified of the breach. Following the end of the Prescribed Period (or if the Issuer (or the Master Servicer on its behalf) has not served a notice requiring repurchase of the relevant Purchased Loan Receivable and its Related Security prior to 15 Business Days before the end of the Prescribed Period), the only remedy afforded to the Issuer in respect of any breach of any Loan Warranty is the payment by the Seller of the relevant the Loan Indemnity Warranty Payment (if any). See further "*Limited remedies available to the Issuer in respect of any breach of representation or warranty made by the Seller under the Mortgage Sale Agreement*" above. In each case, none of the Issuer, the Security Trustee or the Note Trustee, the Arranger, the Joint Lead Managers, the Noteholders, the Certificateholders or any other secured party will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet its obligations to repurchase a relevant Purchased Loan Receivable or pay any of the Loan Indemnity Warranty Payments in accordance with the terms of the Mortgage Sale Agreement.

Limited Resources of L2 B.V.

L2 B.V., acting in its capacity as the Master Servicer is a special purpose vehicle with limited assets and funds and as such will, after having satisfied its obligations to pay its secured creditors, have limited resources available to it to make any indemnity payments under the Transaction Documents. The obligations of the Master Servicer are not guaranteed nor will they be the responsibility of any person other than the Master Servicer, and, as such, neither the Issuer nor the Security Trustee will have recourse to any other person in the event that the Master Servicer, for whatever reason, fails to meet its repurchase obligations under the Master Servicing Agreement or otherwise fails to discharge its obligations to make any indemnity payments under the Master Servicing Agreement or any other Transaction Document. Certain payment obligations (owed by L2 B.V. in its capacity as Seller under the Mortgage Sale Agreement) will be guaranteed by Macquarie Bank Limited, London Branch; see further "*Summary of the Key Transaction Documents – MBL Guarantee*".

The Issuer has also agreed that it will not take any action to wind up the Master Servicer or initiate similar proceedings. This may affect the ability of the Issuer to exercise effectively certain rights under the Mortgage Sale Agreement, the Master Servicing Agreement and the other Transaction Documents. The Retention Holder is under no obligation to put the Master Servicer in funds for the purposes of funding a repurchase or otherwise (except in respect of the guarantee provided by Macquarie Bank Limited, London Branch under the Mortgage Sale Agreement; see further "*Summary of the Key Transaction Documents – MBL Guarantee*"). Therefore, in the event that any Mortgage Loan is found to be in breach of the Loan Warranties or the Master Servicer becomes liable under the Master Servicing Agreement, the Master Servicer may have limited funds available to it to effect a repurchase of the relevant Mortgage Loan or fulfil such obligation which, in each case, may have an adverse effect on the Issuer's ability to make payments on the Notes.

Servicing and Third Party Risk

Issuer Reliance on Other Third Parties

The Issuer is also a party to contracts with a number of other third parties who have agreed to perform services in relation to the Issuer and/or Notes. In particular, but without limitation, the Swap Provider has agreed to provide certain hedging of interest rate risk faced by the Issuer, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Issuer Account Bank maintains and operates the Issuer Account for the Issuer pursuant to the Bank Account Agreement, the Swap Provider has agreed to enter into the Swap Transaction pursuant to the terms of the Swap Agreement, the Swap Replacement Facilitator has agreed to provide certain services in relation to the a replacement of the Swap Provider, the Master Servicer has agreed to service the Portfolio and the Back-up Servicing Facilitator has agreed to provide certain services in relation to a replacement of the Master Servicer, in each case pursuant to the Master Servicing Agreement, the Refinancing Facilitator has agreed to assist with the marketing of the issuance of Refinancing Notes pursuant to the Trust Deed (although it is noted that the Refinancing Facilitator will not be, for legal and regulatory reasons, the initial or ultimate purchaser of the such Refinancing Notes and will not be under any contractual obligation in such respect), the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in its place promptly thereafter, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

The Transaction Documents do not contain any restrictions on the ability of any third party providing services to the Issuer to change its business plans and strategies and access other business lines or markets after the Closing Date. Any changes of the business plans and strategies of a third party service provider

could expose that third party to additional risks (including regulatory, operational and systems risk) which could have an adverse effect on the ability of the third party to provide services to the Issuer and consequently could have an adverse effect on the Issuer's ability to perform its obligations under the Notes.

Servicing

L2 B.V. will be appointed by the Issuer as the Master Servicer to service the Purchased Loan Receivables and their Related Security. L2 B.V., as the Master Servicer, will delegate a substantial portion of its servicing functions (such portion constituting the Sub-Services but not the Master Servicer Services) to Servicing Advisors Deutschland GmbH acting as Sub-Servicer; the Sub-Servicer being, *inter alia*, responsible for contacting the Borrowers and serving as a first point of contact for the Borrowers and for collecting all payments on the Mortgage Loans. As a consequence, the servicing structure of the transaction relies to a substantial extent on the Sub-Servicer and its ability to provide the Sub-Services to the Master Servicer during the term of the transaction. Under the Master Servicing Agreement and the Sub-Servicing Agreement, both the Master Servicer and the Sub-Servicer have agreed to perform their respective services with the due care and diligence of a prudent merchant (*Sorgfalt des ordentlichen Kaufmanns*). For the purposes of this Prospectus, references to "**Servicer**" should be read as referring to both L2 B.V. and Servicing Advisors Deutschland GmbH, unless the context requires otherwise.

Subject to certain exceptions set out in the Master Servicing Agreement, the aggregate liability of the Master Servicer in respect of any claim arising out of or in connection with the Master Servicing Agreement (whether arising in contract, tort or otherwise) shall be limited to €1,000,000 or, with respect to any failure to comply fully with its obligations to exercise and enforce its rights under the Sub-Servicing Agreement against the Sub-Servicer, €3,000,000. The Master Servicer shall only become liable if such liability results from a failure by the Master Servicer to perform its contractual obligations that is in either case caused by gross negligence or wilful misconduct on the part of the Master Servicer. Subject to certain exceptions set out in the Sub-Servicing Agreement, the aggregate liability of the Sub-Servicer under the Sub-Servicing Agreement, whether arising in contract, tort or otherwise is limited to a maximum amount of €3,000,000.

The Master Servicer may, subject to certain requirements, delegate certain of its obligations under the Master Servicing Agreement from time to time. Initially, such delegation will consist of the delegation of the Sub-Services to the Sub-Servicer under the Sub-Servicing Agreement, but may also include other delegations as it sees appropriate, in accordance with the terms of the Master Servicing Agreement. Further, the Master Servicer has only limited responsibility for any action or omission of the Sub-Servicer or any other delegate appointed by it in accordance with the Master Servicing Agreement other than in case of a delegation of any Master Servicer Services to an affiliate of the Master Servicer, in which case the Master Servicer shall remain fully liable to perform such delegated services. Upon the delegation of the Sub-Services to the Sub-Servicer, or certain of the Master Servicer Services to another delegate taking effect in accordance with the provisions of the Master Servicing Agreement, the Master Servicer only remains obliged to fulfil such delegated services if and to the extent the Sub-Servicer or such other delegate does not properly perform its duties and the Master Servicer has actual knowledge thereof. The Master Servicer shall have no other responsibility or liability in case of a delegation of its services in accordance with the Master Servicing Agreement other than to exercise and, if necessary in order to maximise recoveries, enforce all rights available to it under the Sub-Servicing Agreement against the Sub-Servicer or (other than with respect to a delegate which is an affiliate of the Master Servicer) under any other delegation agreement against such other delegate to the extent such enforcement is in the best interests of the Issuer and the Secured Creditors. However, pursuant to the Master Servicing Agreement, the Master Servicer has for security purposes assigned to the Issuer any rights of recourse (including compensation or damage claims) it may have against the Sub-Servicer under the Sub-Servicing Agreement. Upon satisfaction of the Issuer's secured claims against the Master Servicer, the Issuer shall assign back to the Master Servicer the remaining amount of the assigned claims of the Master Servicer without undue delay. In addition, the Master Servicer has agreed to assign any further rights of recourse (including compensation or damage claims) it may have against any other delegate (other than with respect to a delegate which is an affiliate of the Master Servicer) appointed by it in accordance with the Master Servicing Agreement.

In the event that the Master Servicer breaches its obligations under the Master Servicing Agreement and the Issuer suffers a loss (e.g. a loss in respect of the Portfolio, or if it becomes liable to a third party) and the Master Servicer is liable to the Issuer for such acts or omissions pursuant to the terms of the Master Servicing Agreement, any loss over and above the liability cap set out in the Master Servicing Agreement may be irrecoverable by the Issuer. Similarly, if the Sub-Servicer is liable to the Master Servicer under the Sub-Servicing Agreement (which claim has been assigned to the Issuer in accordance with the Master Servicing Agreement) for any act or omission pursuant to the terms of the Sub-Servicing Agreement, any loss over and above the liability cap set out in the Sub-Servicing Agreement may be irrecoverable by the Master Servicer (and therefore by the Issuer). Any such occurrence may result in less proceeds being available to meet the obligations of the Issuer in respect of the Notes. Furthermore, there can be no assurance that the Master Servicer will have the financial resources to meet its obligations (including any potential liability claims up to the liability cap) as to which see further "*Risk Factors – Limited Resources of L2 B.V.*", below. None of the Issuer, the Security Trustee or the Note Trustee, the Arranger, the Joint Lead Managers, the Noteholders, the Certificateholders or any other secured party will have recourse to any other person in the event that the Master Servicer, for whatever reason, fails to meet any of its obligations.

If a Master Servicer Termination Event occurs in respect of the Master Servicer in accordance with the terms of the Master Servicing Agreement, then the Issuer is entitled to, and if so instructed by the Security Trustee, is required to immediately terminate the appointment of the Master Servicer in accordance with the terms of the Master Servicing Agreement, and the Master Servicer (with the assistance of the Back-up Servicing Facilitator) shall use its all commercially reasonable endeavours to appoint a new master servicer in its place whose appointment is approved by the Issuer and the Security Trustee.

Similarly, if a Sub-Servicer Termination Event occurs in respect of the Sub-Servicer in accordance with the terms of the Sub-Servicing Agreement, then the Master Servicer may, with the consent of the Security Trustee, and shall, if so instructed by the Security Trustee, terminate the appointment of the Sub-Servicer in accordance with the terms of the Sub-Servicing Agreement, and the Master Servicer shall perform the delegated servicing functions itself and/or (with the assistance of the Back-up Servicing Facilitator) shall use reasonable endeavours to appoint a new sub-servicer in the place of the existing Sub-Servicer whose appointment requires the prior approval of the Security Trustee. Any termination of the Sub-Servicing Agreement by the Master Servicer requires the consent of the Security Trustee.

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

If a Master Servicer Termination Event occurs, there can be no assurance that a substitute master servicer with sufficient experience of servicing the Purchased Loan Receivables and their Related Security would be found who would be willing and able to service the Purchased Loan Receivables and their Related Security on the terms, or substantially similar terms, set out in the Master Servicing Agreement. Further, it may be that the terms on which a substitute master servicer may be appointed are substantially different from those set out in the Master Servicing Agreement and the terms may be such that the Noteholders may be adversely affected. In addition, any substitute master servicer will be required, *inter alia*, to be registered under the German Act on Legal Services (*Rechtsdienstleistungsgesetz*) in order to service the Portfolio. The ability of a substitute master servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute master servicer may affect payments on the Mortgage Loans and hence the Issuer's ability to make payments when due on the Notes.

Similarly, if a Sub-Servicer Termination Event occurs, there can be no assurance that the Master Servicer will be able to identify a substitute sub-servicer with sufficient experience of servicing the Purchased Loan Receivables and their Related Security or that it will be able to establish alternative processes for the servicing of the Purchased Loan Receivables and their Related Security. Any delay or inability to appoint a substitute sub-servicer or to establish alternative processes for the servicing of the Purchased Loan

Receivables and their Related Security may affect payments on the Mortgage Loans and hence the Issuer's ability to make payments when due on the Notes.

Whilst the Issuer has appointed the Back-up Servicing Facilitator to assist the Issuer and the Master Servicer in identifying a substitute master servicer or a substitute sub-servicer, there can be no assurance that the services performed by the Back-up Servicing Facilitator will be successful in reducing any adverse effects of a termination of the Master Servicer or the Sub-Servicer.

In addition, Noteholders should be aware that neither the Master Servicer nor the Sub-Servicer nor the Back-up Servicing Facilitator has any obligation to advance payments that Borrowers fail to make in a timely fashion.

For further details on the arrangements with the Master Servicer and the Sub-Servicer, please see the section entitled "*Summary of the Key Transaction Documents – The Master Servicing Agreement and the Sub-Servicing Agreement*" below.

Change of counterparties

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Issuer Account Bank, the Swap Provider and the Collection Account Bank) are required to satisfy certain criteria in order to continue to be a counterparty to the Issuer or otherwise continue to perform certain functions in relation to the transaction.

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

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

Certain material interests and potential for conflicts

Certain of the parties to the transaction have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer, the Seller and the Retention Holder in the ordinary course of business. Other parties to the transaction may also perform multiple roles. Accordingly, conflicts of interest may exist or may arise as a result of parties having previously engaged or in the future engaging in transactions with other parties, having multiple roles or carrying out other transactions for third parties. The parties to the transaction may, pursuant to the Transaction Documents, be replaced by one or more new parties. It cannot be excluded that such a new party could also have a potential conflicting interest, which might ultimately have a negative impact on the ability of the Issuer to perform its obligations in respect of the Notes.

Certain conflicts of interest involving or relating to the Joint Lead Managers and its affiliates

Macquarie Bank International Limited and Merrill Lynch International and its (or their) affiliates (the "**JLM Parties**") will play various roles in relation to the offering of the Rated Notes, including acting as the structurer of the transaction and in other roles described below.

The Joint Lead Managers will purchase the Rated Notes from the Issuer on the Closing Date and resell them in individually negotiated transactions at varying prices, which may result in a lower fee being paid to the initial purchaser in respect of those Rated Notes. The JLM Parties may also assist clients and counterparties in transactions related to the Rated Notes (including assisting clients in future purchases and sales of the Rated Notes and hedging transactions) and such JLM Parties would expect to earn fees and other revenues from these transactions.

Each of the JLM Parties are part of a global investment banking and securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes, without limitation, corporations, financial institutions, governments and high net worth individuals. As such, they actively make markets in and trade financial instruments for their own account and for the accounts of customers in the ordinary course of their business. The JLM Parties may have positions in or may have arranged financing in respect of the Notes or the Mortgage Loans in the Portfolio and may have provided or may be providing investment banking services and other services to the other transaction parties or the Originator of the Mortgage Loans.

Each of the JLM Parties may act (and with respect to the repayment of any financing, will act) in its own commercial interest in its various capacities without regard to whether its interests conflict with those of the holders of the Notes, the Residual Certificates or any other party.

The JLM Parties may act as lead manager, arranger, placement agent and/or initial purchaser or investment manager in other transactions involving issues of residential mortgage backed securities or other investment funds with assets similar to those of the Issuer, which may have an adverse effect on the price or value of the Notes. The JLM Parties do not disclose specific trading positions or their hedging strategies, including whether they are in long or short positions in any Notes or obligations referred to in this Prospectus except where required in accordance with applicable law.

In the ordinary course of business, the JLM Parties and employees or customers of the JLM Parties may actively trade in and/or otherwise hold long or short positions in the Notes or enter into transactions similar to or referencing the Notes for their own accounts and for the accounts of their customers. If any of the JLM Parties becomes an owner of any of the Notes, through market-making activity or otherwise, any actions that it takes in its capacity as owner, including voting, providing consents or otherwise will not necessarily be aligned with the interests of other owners of the Notes. To the extent any of the JLM Parties makes a market in the Notes (which it is under no obligation to do), it would expect to receive income from the spreads between its bid and offer prices for the Notes. In connection with any such activity, it will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions and activities based on the potential effect on an investor in the Notes. The price at which any of the JLM Parties may be willing to purchase Notes, if it makes a market, will depend on market conditions and other relevant factors and may be significantly lower than the issue price for the Notes and significantly lower than the price at which it may be willing to sell the Notes.

Certain Regulatory Considerations

Bank Secrecy and Data Protection

On 25 May 2004, the Higher Regional Court (*Oberlandesgericht*) of Frankfurt am Main rendered a ruling with respect to the enforcement of collateral securing non-performing loan receivables (the "**Frankfurt Ruling**"). In its ruling, the court took the view that the bank secrecy duties that are embedded in the banking

relationship create an implied restriction on the assignability of loan receivables pursuant to Section 399 of the German Civil Code. The court also stated that where the loan agreement qualifies as a commercial transaction (*Handelsgeschäft*) within the meaning of Section 343 of the German Commercial Code (*Handelsgesetzbuch*) for both the borrower and the bank, Section 354a of the German Commercial Code would allow the valid assignment of a monetary claim resulting from such commercial transaction despite a contractual restriction on assignment agreed between the parties. However, since for the Borrowers the Mortgage Loans do not constitute commercial transactions, pursuant to the Frankfurt Ruling, reliance on Section 354a of the German Commercial Code would not be possible.

In its decision of 27 February 2007, the German Federal Supreme Court (*Bundesgerichtshof*) decided on the question of whether bank secrecy duties would constitute a restriction on assignment. The case to decide involved the assignment of non-performing loan receivables where the assignor had terminated the loan contract prior to the assignment. The German Federal Supreme Court did not follow the Frankfurt Ruling but instead held that neither the bank secrecy duties nor data protection legislation would restrict the assignability of loan receivables. Although the case involved non-performing loan receivables where the underlying loan relationship was terminated, the German Federal Supreme Court stated generally that, although the principle of bank secrecy would constitute a contractual obligation to maintain confidentiality in respect of the customer-related data, it would not constitute an explicit or implicit restriction on the assignment of the loan receivables. The German Federal Supreme Court thus confirmed the traditional view that a breach of the banking secrecy duty does not render the sale and assignment of loan receivables invalid but may only give rise to damages claims against the assignor. The ruling relates to a mortgage loan agreement which included terms allowing for the assignment of the loan receivables and collateral thereunder for refinancing purposes. The court held that an implied restriction of the assignability of loan receivables cannot arise from the bank secrecy duties of a credit institution, as the bank secrecy duty is an obligation of the credit institution only and therefore the violation or infringement of such obligation may give rise to damages claims only but cannot have an effect *in rem*. Furthermore, the Court decided that the invalidity of the transfer of loan receivables by a private bank cannot be based on Section 134 of the German Civil Code in connection with Section 203 of the German Criminal Code (*Strafgesetzbuch*), as the representatives of a private bank do not fall within the scope of application of Section 203 of the German Criminal Code.

On 19 April 2011, the German Federal Supreme Court (*Bundesgerichtshof*) rendered a further ruling (file number: XI ZR 256110) with respect to the validity of an assignment of loan receivables secured by a mortgage and the pledge of claims under life insurance policies. The German Federal Supreme Court confirmed in this case that the valid assignment of loan receivables originated by a credit institution is neither restricted by the bank secrecy duties nor by the Federal Data Protection Act (*Bundesdatenschutzgesetz*).

According to the German Federal Data Protection Act, a transfer of a customer's personal data is only permitted if (i) the relevant customer has consented to such transfer, (ii) such transfer is permitted by law, or (iii) such transfer is necessary in order to maintain the legitimate interests of the person storing the data and there is no reason to believe that the legitimate interests of the customer to prevent the processing and use of data should prevail over such other storer's interests. In its decision dated 27 February 2007, the German Federal Supreme Court held that a breach of the provision of the Federal Data Protection Act does not result in the invalidity of the assignment of loan receivables but could be fined in accordance with Sections 43 and 44 of the Federal Data Protection Act or could give rise to a claim for damages against the assignor.

To avoid a potential breach of the bank secrecy obligation and data protection legislation, the terms and conditions of the Mortgage Loans contain a Consent Declaration pursuant to which the Borrowers and any third party security providers are required to give their consent to the disclosure of their personal data to certain third parties (which would include the Seller) in connection with the refinancing of the Mortgage Loans (including by way of a securitisation transaction). The Seller has represented and warranted that so far as the Seller is aware, all Borrowers and, to the extent relevant, all third party security providers have given their consent to the disclosure of personal data in accordance with the Consent Declaration. "**Consent**

Declaration" means any declaration of consent signed by each Borrower (and to the extent relevant, each third party security provider) in connection with the Mortgage Loan agreeing to the transfer of the respective Borrowers' (or third party security provider's) personal data to the Seller and the Issuer respectively.

Due to the fact that no final suitable guidance by any statutory or judicial authority exists regarding the manner in which an assignment of a loan claim must be made to comply with the bank secrecy duties and data protection legislation and regarding the form and substance of a consent declaration in order to validly waive the requirements of bank secrecy duties and data protection legislation, there remains some legal uncertainty on the question of compliance with banking secrecy and data protection rules in general and a risk that such Consent Declaration are considered not to be sufficiently specified.

German Consumer Loan Legislation

The Mortgage Loans contained in the Portfolio have been entered into with Borrowers that are private individuals, resident in Germany, that are considered consumers (*Verbraucher*) within the meaning of the German Civil Code. As a result, the Mortgage Loans constitute real estate loan contracts (*Immobilienkreditverträge*) within the meaning of Sections 491, 503 of the German Civil Code (and similar provisions of the German Civil Code in force at the time of conclusion of the relevant Mortgage Loan) and provisions for the protection of consumers apply to such Mortgage Loans.

The provisions on consumer protection contained in the German Civil Code include, *inter alia*, form and information requirements with regard to the consumer loan contracts (*Verbraucherkreditverträge*). Pursuant to Section 494 para. 1 of the German Civil Code, a consumer loan contract is void if the written form requirement is not met. Furthermore, a consumer loan contract is also void if listed information requirements required to be given to Borrowers prior to the conclusion of the loan contract pursuant to Article 247 Sections 6 and 9 through 13 of the Introductory Act to the German Civil Code (*EGBGB*) are not fulfilled. In case of a defect of the loan contract resulting from a violation of the written form requirements or the information requirements, the relevant consumer loan contract becomes valid to the extent that the consumer acting as borrower receives the loan or avails itself of it. However, in such case the terms of the loan contract are modified by statutory law in accordance with Section 494 para. 2 to para. 7 of the German Civil Code in that (i) the interest rate for such loan contract is reduced to the statutory interest rate (*gesetzlicher Zinssatz*) if the contractual interest rate has not been properly notified, (ii) if the effective annual interest rate indicated in the loan contract is understated, the interest rate applicable to the loan contract shall be reduced to the same extent that the effective annual interest rate in the loan contract understates the actual effective annual interest rate (iii) the borrower does not owe any charges of which it has not been properly made aware, (iv) if the loan contract does not contain a proper provision pursuant to which the costs or interest payable may be amended, such costs and interest may not be amended to the detriment of the borrower, (v) if payment in instalments has been properly stated in the loan contract, the creditor must recalculate the instalments based on the reduced costs or interest, (vi) if the loan contract lacks proper specification of the loan maturity or borrower termination rights, the borrower may terminate the loan at any time, and (vii) if the loan contract does not contain proper provisions regarding the provision of collateral by the borrower, such collateral may not be demanded from the borrower, unless the net loan amount exceeds €75,000.

In addition, pursuant to the applicable consumer protection provision contained in the German Civil Code, borrowers of Mortgage Loans are entitled to a right of revocation (*Widerrufsrecht*) relating to their declarations of intent (*Willenserklärung*) which have resulted in the conclusion of the loan contract. In accordance with the German Civil Code, borrowers of a mortgage loan are entitled to exercise their right of revocation within a 14-day revocation period starting on the later of the date (i) the relevant mortgage loan was concluded, and (ii) the borrower received a contract document or a written offer (or, in each case a copy thereof) complying with all formal requirements (including a proper revocation instruction (*Widerrufsbelehrung*) informing it of such right of revocation), or (iii) if the documents referred to in (ii) do not contain all mandatory information, the date when such missing information has been provided to the borrower. Should the revocation period begin pursuant to (iii), the revocation period lasts one month instead

of two weeks. If the information provided to the borrower does not contain all mandatory information pursuant to Section 492 para. (2) of the German Civil Code or is otherwise incomplete or incorrect, the revocation period may not commence at all and it is possible for the borrower to retain its right of revocation for an indefinite period of time.

Investors in the Notes should be aware that German courts currently apply very strict standards with regard to the information obligations and the notice to be provided to consumers and that, as a consequence, there currently exists substantial legal uncertainty in the German mortgage market generally on the exact requirements to be satisfied (including, in particular, the appropriate wording of the revocation instruction (*Widerrufsbelehrung*)) in order to ensure that the revocation period commences properly. As a result, there remains a risk that Borrowers of the Mortgage Loans may also successfully exercise a right of revocation in relation to the Mortgage Loans contained in the Portfolio, which exercise may adversely affect the Issuer's ability to make payment of interest and/or principal in respect of the Notes.

If a consumer exercises such a right of revocation, the borrower is no longer bound by the relevant loan contract and is instead required to repay to the lender the principal amount of the loan without any undue delay and not later than 30 calendar days after it despatched the notice of revocation to the lender. No prepayment penalty shall be payable by a borrower in this case. Further, upon a valid revocation of the loan contract, the borrower may be able to reclaim all interest previously paid to the lender in relation to the mortgage loan and may conversely only be required to compensate the lender for the value of the provision of the loan capital, such value compensation potentially being substantially lower than the interest paid to the lender under the loan contract. As a consequence, if a Borrower were to successfully revoke a Mortgage Loan, the Issuer as creditor of the Purchased Loan Receivable would not only lose its entitlement with respect to any prepayment penalties, but it would also be exposed to the risk that it might ultimately experience a loss of principal upon termination upon of the Mortgage Loan. Depending upon the time period that has lapsed since the disbursement of the Mortgage Loan and the stipulated interest rate of the Mortgage Loan, the Issuer might be exposed to a substantial loss of principal which may adversely affect the Issuer's ability to make payment of interest and/or principal in respect of the Notes.

Under certain limited circumstances, the Mortgage Loan and the related acquisition of the Mortgaged Property by the Borrower can also be considered as "linked transactions" (*verbundene Geschäfte*) within the meaning of the German Civil Code, in which case the Borrower upon a valid revocation of the Mortgage Loan would also be entitled to revoke the related sales contract relating to the acquisition of the Mortgaged Property and return the Mortgaged Property to the lender instead of repaying the principal amount of the Mortgage Loan. Pursuant to German Civil Code, a "linked transaction" would in the case at hand only exist if the Originator itself sold the Mortgaged Property to the Borrower, or if it has, beyond the granting of the Mortgage Loan itself, promoted the acquisition of the Mortgaged Property by the Borrower by cooperating with the person selling the Mortgaged Property and sharing in the interests of the person selling the Mortgaged Property in full or in part, by assuming functions of the seller in planning, advertising or carrying out the project, or by unilaterally favouring the seller of the Mortgaged Property. The Seller has no indication that the Originator has taken any action in connection with the origination of the Mortgage Loans that would satisfy the requirements described in the preceding sentence and whether, as a consequence, the requirements for "linked transactions" have been fulfilled.

Furthermore, Mortgage Loans may also provide for an obligation of the Borrower to pay loan handling fees (*Bearbeitungsgebühren*). Following the rendering of a number of court rulings with respect to the invalidity of such handling fees in consumer loan contracts in Higher Regional Courts since 2010, the Federal Supreme Court (*Bundesgerichtshof*) held in a ruling of 13 May 2014 (file number. XI ZR 170/13) that the obligation to pay the handling fee under a consumer loan contract is void. As a result, a Borrower would be entitled to set off its claims against the Seller for repayment of the handling fee paid by it (including interest accrued thereon at the percentage contractually agreed in the terms and conditions of the Mortgage Loan) against any payment claims of the Issuer under the relevant Purchased Loan Receivables. The exercise of such right by the Borrower would adversely affect the payments received under the Mortgage Loans and, ultimately, the Issuer's ability to make payment of interest and/or principal in respect of the Notes. However, with respect to

loan handling fees that have been charged before 1 January 2012, such claims of Borrowers should have become time-barred (*verjährt*) since 1 January 2015 in accordance with the Federal Supreme Court (*Bundesgerichtshof*) ruling of 28 October 2014 (XI ZR 17/14).

EU Mortgage Loan Directive

On 4 February 2014 the European Parliament and the Council adopted Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property (the "**EU Mortgage Loan Directive**"). The EU Mortgage Loan Directive aims at creating a transparent, efficient and competitive internal market with a high level of consumer protection in the area of credit agreements relating to immovable property. EU Member States will have to transpose its provisions into their national law by March 2016. The German Federal Ministry of Justice and Consumer Protection released a draft bill to transpose the EU Mortgage Loan Directive into German law on 18 December 2014. The provisions set out in the draft bill include, but are not limited to, precontractual consumer information requirements, the obligation of creditors to make a thorough assessment of the consumer's creditworthiness before concluding a credit agreement, the prohibition on granting mortgage loans to borrowers if the result of the assessment of the borrowers' creditworthiness indicates that the borrower is not creditworthy, and the prohibition of certain practices where the mortgage loan is offered together with other financial products or services as a package where at the same time the mortgage loan is not made available to the consumer individually. The new provisions, which will be subject to change in the legislative process, are currently expected to enter into force on 21 March 2016 and are not expected to apply to credit agreements existing before that date. No assurance can, however, be given that the draft law will not also affect mortgage loans entered into before such date, including the Mortgage Loans in the Portfolio.

Potential effects of any additional regulatory changes

No assurance can be given that additional regulatory changes by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**") or any other regulatory authority will not arise with regard to the mortgage market in Germany generally or specifically in relation to the Master Servicer or the Sub-Servicer. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Retention Holder, the Issuer, the Master Servicer and the Sub-Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

German Insolvency Code

Under German insolvency law, in insolvency proceedings of an insolvent debtor, a creditor who is secured by the assignment of receivables by way of security will have a preferential right to such receivables (*Absonderungsrecht*). Enforcement of such preferential right is subject to the limitations set forth in the German Insolvency Code (*Insolvenzordnung*). In particular, the secured creditor may not enforce its security interest itself. Instead, the insolvency administrator appointed in respect of the estate of the Borrower may be entitled to effect the enforcement pursuant to Section 166 para. 2 of the German Insolvency Code (*Insolvenzordnung*). In such case, the insolvency administrator is obliged to transfer the proceeds from such enforcement to the secured creditor. However, the secured creditor has no control as to the timing of such enforcement procedure. In addition, the insolvency administrator may deduct from the enforcement proceeds fees which may amount to 4% of the enforcement proceeds for assessing such preferential rights plus up to 5% of the enforcement proceeds as compensation for the costs of enforcement, plus, in each case, any applicable VAT. In case the enforcement costs are considerably higher than 5% of the enforcement proceeds, the compensation for the enforcement costs may be higher. Accordingly, to the extent that the Related Security relating to a Mortgage Loan comprises security assignments of receivables, the Issuer may have to share in the costs of any insolvency proceedings of the relevant Borrower in Germany, reducing the amount of money available upon enforcement of the Related Security to repay the Notes.

Further, pursuant to Section 103 of the German Insolvency Code (*Insolvenzordnung*), the insolvency administrator of an insolvent debtor who entered into a contract providing for mutual obligations (such as the Originator who entered in the Mortgage Loans) is entitled to choose either to discontinue the relevant contract or to perform the debtor's obligations thereunder, provided that both parties to the contract have not yet performed all of their respective obligations under such contract at the time of commencement of insolvency proceedings. The German Federal Supreme Court held in a ruling regarding the security assignment of receivables for the provision of services (BGH WM 2002, 1199, 1201) that the commencement of insolvency proceedings does not result in the extinction of the performance claims arising under such contract, but that the non-discharged claims cease to be enforceable against the insolvency estate, unless such claims relate to actions or services performed prior to the commencement of insolvency proceedings. According to the court, any assignment effected prior to the commencement of insolvency proceedings in respect of receivables that relate to performances to be rendered after the commencement of insolvency proceedings (whether by way of assignment or by way of security), will cease to be effective upon insolvency and be reinstated as claims of the insolvency estate (*originäre Forderungen der Masse*), if the insolvency administrator opts for the continuation of the contract.

However, pursuant to Section 108 para. (2) of the German Insolvency Code, the insolvency administrator does not have such rights in relation to a loan contract if the relevant loan has been fully disbursed prior to the commencement of insolvency proceedings with respect to the assigning lender. As a consequence, to the extent that all Mortgage Loans contained in the Portfolio have been fully disbursed prior to the assignment thereof to the Issuer, an insolvency administrator with respect to the assets of the Originator would not have the rights pursuant to Section 103 of the German Insolvency Code with respect to the Mortgage Loans.

Enforcement of Mortgages under German Law and Submission to Immediate Enforcement

General

Under German law, the enforcement of a mortgage will be carried out in accordance with the German Compulsory Auction and Compulsory Administration of Immoveable Property Act (*Zwangsversteigerungs- und Zwangsverwaltungsgesetz*, the "ZVG"). The ZVG provides for two different types of enforcement of a mortgage:

- compulsory sale (*Zwangsversteigerung*) of the relevant properties; and
- compulsory administration (*Zwangsverwaltung*) of the relevant properties.

In the case of a compulsory sale, the competent court will effect a public auction of the relevant property. The conclusion of such auction and the sale of the property therein may take a considerable amount of time (in some courts potentially more than one year and, depending upon the workload of the relevant court, possibly significantly longer, especially if an insolvency administrator of the relevant Borrower or the security provider requests a suspension of the sale). Certain cost items, such as costs of enforcement, amounts owed but not paid in respect of property tax or other public charges relating to such Mortgaged Property and, in case of Mortgages encumbering condominiums, the rights of the ownership association (*Eigentümergeinschaft*) for payment of contributions charged in accordance with the Law on Apartment Ownership (*Wohnungseigentumsgesetz*) will rank ahead of the Mortgages and will therefore reduce any proceeds from an enforcement of the Mortgages. If the highest bid at the first auction is not at least 70% of the market value of the property estimated by the court, any person who has an interest in the outcome of the decision (*Berechtigte*) and is ranking behind the most senior enforcing creditor with claims that would not be fully satisfied after the distribution of the proceeds, may require the court not to sell the property to the relevant bidder. The enforcing creditor may oppose such request by providing prima facie evidence that the non-acceptance of the bid would cause the creditor disproportionate damage. In no event may the court dispose of the property if the highest bid in the first auction does not reach 50% of the estimated value of the property. If a second auction is necessary because the highest bid in the first auction was below 70%, or 50%

of the market value, respectively, the highest bid in such further auction does not need to meet any threshold with regard to the estimated value of the property.

In a compulsory administration, which can be started immediately after attachment (*Beschlagnahme*) of the relevant property, the court will appoint an administrator for the relevant property (*Zwangsverwalter*) to administer such property on behalf of the enforcing creditors. The administrator alone is entitled to receive all income generated from such property, including all rental and insurance claims. The right of the administrator to collect rents takes priority over all other rights to the rental receivables. The administrator, subject to the supervision of the court, is required to pass any collections to the enforcing creditors after deducting certain fees and enforcement costs calculated in accordance with the Compulsory Administration Ordinance (*Zwangsvollstreckungsordnung*), which came into force on 4 January 2004, and certain other prior ranking items such as the cost items described in the preceding paragraph relating to property tax and other public charges and, in case of Mortgages encumbering condominiums, payment of outstanding contributions to the ownership association (*Eigentümergeinschaft*).

Investors in the Notes should be aware that an enforcement of the Mortgages in Germany by way of public auction or compulsory administration may result in substantial delays before any proceeds from the enforcement of the Mortgages will be obtained. In addition, the realisation of the Mortgages by way of enforcement procedure may also trigger substantial enforcement costs which will reduce the proceeds resulting from such enforcement action. The likely lengthy enforcement process and the significant costs involved with any enforcement procedure will likely reduce the amount recovered through any enforcement over a Mortgage Loan.

Submission to Immediate Enforcement

The Mortgage Conditions provide that the relevant Borrower must submit to immediate enforcement (*Zwangsvollstreckungsunterwerfung*), namely (i) the *in-rem* submission to immediate enforcement relating to the Mortgage (*Unterwerfung unter die sofortige Zwangsvollstreckung hinsichtlich der Grundschild*), and (ii) the personal submission to immediate enforcement (*Übernahme der persönlichen Haftung*) relating to the Borrower. If contained in the corresponding notarial deed, the submission to immediate enforcement constitutes an executory title which is immediately enforceable without the need for a prior court ruling (*Erkenntnisverfahren*) and thereby resulting in a quicker enforcement of the mortgage.

In respect of the *in-rem* submission to immediate enforcement, the German legislator has enacted Section 799a of the German Code of Civil Procedure (*Zivilprozessordnung*) pursuant to the Risk Limitation Act (*Risikobegrenzungs-gesetz*) dated 12 August 2008, pursuant to which a mortgage creditor is liable for damages suffered by the borrower in case of an unjustified enforcement of a mortgage, provided that the enforcement has been declared unjustified after 19 August 2008.

See further the Risk Factor entitled "*German Insolvency Code*" immediately above.

Security and insolvency considerations in England

The Issuer is incorporated in England and has represented in the Transaction Documents that it will have its centre of main interests in the United Kingdom. As such, it is likely (but not without doubt) that it will be subject to insolvency proceedings under the laws of England and Wales.

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

The Insolvency Act 1986 allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be

interpreted, it should be applicable to the floating charge created by the Issuer and granted by way of security to the Security Trustee. However, as this is partly a question of fact, were it not possible to appoint an administrative receiver in respect of the Issuer, the Issuer would be subject to administration if it became insolvent. In such circumstances, the primary emphasis may be to rescue the Issuer as a going concern which may lead to the ability to realise the Security being delayed, the value of the Security being impaired and/or conflict with the interests of the Noteholders.

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

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

Fixed charges may take effect under English law as floating charges

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment or assignation in security) may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Assets. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets.

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

Liquidation expenses in England

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

holder (or, in certain circumstances, the court) pursuant to Rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

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

Insolvency proceedings and subordination provisions in England

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

The Supreme Court of the United Kingdom has held that a flip clause as described above is valid under English law. Contrary to this, however, in parallel proceedings the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflict remain unresolved, particularly as several subsequent challenges to the U.S. decision have been settled and certain other actions which raise similar issues are pending but have not progressed for some time.

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

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

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

Dutch insolvency considerations

The Seller is incorporated in the Netherlands. Although the residence for tax purposes of the Seller is the United Kingdom and its registered office is in London, any insolvency proceedings concerning the Seller may be brought in The Netherlands and based on Dutch insolvency law. Under certain circumstances, bankruptcy proceedings may also be opened in the Netherlands in accordance with Dutch law over the assets of companies that are not established under Dutch law.

The following is a brief description of certain aspects of Dutch insolvency law. There are two primary insolvency regimes under Dutch law: the first, moratorium of payments (*surséance van betaling*), is intended to facilitate the reorganisation of a debtor's indebtedness and enable the debtor to continue as a going concern. The second bankruptcy (*faillissement*) is primarily designed to liquidate assets and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. In practice, a suspension of payments often results in bankruptcy. A general description of the principles of both insolvency regimes is set out below.

An application for a moratorium of payments can only be made by the debtor itself. Once the request for a moratorium of payments is filed, a court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*). A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for moratorium of payments, the court can order that the composition will be processed before a decision about a definitive moratorium. If the composition is accepted and subsequently ratified by the court (*gehomologeerd*), the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, the court may order a "cooling down period" (*afkoelingsperiode*) for a maximum period of four months during which enforcement actions by secured or preferential creditors are barred (see further below). Also, in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a majority in number of the creditors represented at the creditors' meeting, representing at least 50% in amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the court.

In a bankruptcy, a composition (*akkoord*) may be offered to the unsecured and non-preferential creditors. Such a composition will be binding upon all unsecured and non-preferential creditors if (i) it is approved by a simple majority of the meeting of the recognised and admitted creditors representing at least 50% of the amount of the recognised and of the admitted claims, and (ii) it is subsequently ratified (*gehomologeerd*) by the court.

Enforcement of security interests may be limited by Dutch law

In general, mortgages and pledges rank above other rights of priority, including the general priority right of the Dutch tax authorities on the tax debtor's assets. However, Dutch law provides for exceptions. For example, under certain circumstances, the Dutch tax authorities' priority right ranks above a non-possessory pledge on inventory (not including stock (*voorraden*)) found on the premises of the tax debtor (*bodemzaken*).

In addition, a pledgee is obliged to notify the Dutch tax authorities of (i) its intention to exercise its rights under a pledge on moveable property (not including stock) found on the premises of the tax debtor (*bodemzaken*) within the meaning of the Tax Collection Act (*Invorderingswet 1990*), or (ii) its intention to

perform, to procure in any way the performance of, or cooperate with any legal or factual act with respect to such property which could prejudice the Dutch tax authorities' priority right to such property ((i) and (ii) together: "exercise of its security rights"). Following such notification, a statutory waiting period of up to four weeks starting from the date of notification has to be observed. During this waiting period the Dutch tax authorities may exercise their priority right in respect of such specific property for certain tax debts (*bodemvoorrecht*). Failure to notify the Dutch tax authorities or the exercise of its security rights within the aforementioned waiting period, may result in the pledgee having to pay an amount equal to the value of the relevant property or — in the case of an enforcement — the proceeds from enforcement, provided that such amount payable shall not exceed the amount of the relevant taxes due, whether already assessed or not. After the four-week waiting period has lapsed, or upon an earlier notification by the Dutch tax authorities that they will not exercise their priority right, a pledgee may exercise its security rights. However, the pledgee may only exercise such security rights during the four weeks following the lapse of the waiting period, or the date of the notification from the Dutch tax authorities, as the case may be. After the four-week exercise period has ended, the aforementioned limitations are applicable again and the pledgee will only be able to exercise its security rights with respect to such property after a new notification to the Dutch tax authorities and observance of a new waiting period.

Enforcement of security rights in a Dutch court is subject to Dutch rules of civil procedure. These rules may have a compulsory nature from which one may not deviate. In addition, foreclosure on Dutch law security rights (including allocation of the proceeds) is subject to Dutch law.

Due to the mandatory foreclosure procedures the proceeds of the sale of any secured assets may be limited.

Timing of enforcement

Under Dutch law, if a company is declared bankrupt (*failliet verklaard*) or is granted a moratorium of payments (*surséance van betaling*), the following time limits may apply:

- (a) a mandatory "cool-off" period of up to a maximum period of four months in respect of either a bankruptcy or a moratorium of payments (i.e. if a bankruptcy immediately follows a moratorium of payments, the maximum period will be eight months), which would delay the exercise of the security rights (although the right to collect any rights and receivables by the security holder would not be delayed or affected by this "cool-off" period); and
- (b) the security holder may be obliged to enforce its security rights within a reasonable period as determined by the judge-commissioner (*rechter-commissaris*) appointed by the court in case of bankruptcy of that company. However, if the security holder fails to take any such enforcement action within a reasonable period of time, the bankruptcy trustee may sell the assets himself in the manner provided for in the Dutch Bankruptcy Code. In this case, the security holder will still be entitled to any proceeds of such enforcement by preference but only after deduction of general bankruptcy costs and subject to the satisfaction of higher ranking claims of creditors.

Risks relating to the Banking Act 2009

The Banking Act 2009 (the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised deposit-taking institutions and investment firms, and powers to recognise and give effect to certain resolution actions in respect of EU and third-country institutions. Relevant transaction parties for these purposes include the Issuer Account Bank, the Agent Bank, the Registrar, the Paying Agents and the Swap Provider. The tools available under the Banking Act may be used in respect of relevant institutions and, in certain circumstances, their UK-established banking group companies and such tools include share and property transfer powers (including powers for partial property transfers), bail-in powers, certain ancillary powers (including powers to modify contractual arrangements in certain circumstances) and two new special insolvency procedures which may be commenced by the UK

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

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

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made. While there is provision for compensation in certain circumstances under the Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

Lastly, as a result of Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms and any relevant national implementing measures, it is possible that an institution with its head office in an EU state other than the UK and/or certain group companies (such as the Collection Account Bank) could be subject to certain resolution actions in that other state. Once again, any such action may affect the ability of any relevant entity to satisfy its obligations under the Transaction Documents and there can be no assurance that Noteholders will not be adversely affected as a result.

Legal considerations may restrict certain investments

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

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the

conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the "**Amending Directive**") amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include certain additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017, in the case of Austria, and from 1 January 2016, in the case of all other Member States, (subject in each case to on-going requirements to fulfil various obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also indicates that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment by the Issuer in respect of the Notes were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with or introduced in order to conform to such Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

UK Taxation position of the Issuer

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

Interest payments under the Notes may be subject to German taxation

Among other things, the Notes will have the benefit of security over German-*situs* real estate. Under German tax law, Noteholders who are not tax residents in Germany may be subject to German tax on interest received if the underlying debt is secured, directly or indirectly, by German real estate, German rights which are subject to the civil law provisions on real estate or a German-registered ship. The tax is generally levied by way of assessment, i.e. the non-resident recipient of the interest has to file a German tax return and pay the tax upon an assessment by the German tax authorities. It is uncertain whether under current law

non-residents will be allowed any significant deduction for expenses related to the interest received. In addition, the German tax authorities may require the Issuer to withhold German tax from the interest payments to secure their tax claims. A number of exceptions exist from this German tax liability of non-residents. No German tax will be imposed if the Notes are represented by a global note (*Sammelurkunde*) within the meaning of para. 9a of the German Custody Act (*Depotgesetz*) or qualify as partial debenture notes (*Teilschuldverschreibungen*). A non-resident Noteholder may be exempt from German taxation under a double taxation treaty between Germany and its country of tax residence, if and to the extent applicable under German law.

Further, in case the Issuer were considered to be tax-resident in Germany and the Notes other than the Notes of the Most Senior Class of Notes were considered to entitle the relevant Noteholders to participate in the profits of the Issuer because of the deferral provided for in Condition 18.1, the Issuer would be obliged to withhold German tax from the interest payment on these Notes. A non-resident Noteholder may be exempt from German taxation under a double-taxation treaty between Germany and its country of tax residence, if and to the extent applicable under German law. Certain contractual clauses have been included in different Transaction Documents under which the Issuer represents that it is only tax resident in the United Kingdom and does not have a permanent establishment other than in the United Kingdom; it also undertakes not to take any action which might result in it becoming a German tax resident or having a German permanent establishment. Further, the transaction has been structured with the aim of the Issuer not becoming a German tax resident or having a German permanent establishment of the Issuer, although any such a determination is a question of fact to be determined at the relevant time.

Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to Noteholders in respect of a withholding on account of German tax and in respect of taxes payable by the Noteholder upon tax assessment. This might result in Noteholders receiving less interest than expected and could significantly adversely affect their return on the Notes.

Issuer's liability to German corporate income, trade and value added tax

The Issuer takes the view that it should not be considered to be tax-resident in Germany. However, if the Issuer was considered a German tax resident it would be subject to German corporate income tax, solidarity surcharge and trade tax. As regards corporate income tax the Issuer's income will be determined under German tax accounting principles which could result in the Issuer incurring German corporate income tax because of timing differences, general limitations on loss carry-overs and interest deductibility or payments on the Residual Certificates not being considered deductible for German tax purposes. In addition, as regards German trade tax, the Issuer might be subject to a 25% add-back of interest expenses when computing the tax base for trade tax purposes and thus the Issuer might incur German trade tax on a tax base higher than the corporate income tax base.

Even if the Issuer is not tax resident in Germany, interest on the Mortgage Loans is in principle subject to (corporate income) tax in Germany (plus solidarity surcharge thereon) because the Mortgage Loans are secured by real estate located in Germany. While the Issuer takes the view that it should be entitled to protection under the UK-German double tax treaty, and therefore should not be subject to German corporate income tax with respect to its interest income under the Mortgage Loans, it cannot be excluded that the German tax authorities or tax courts may take a different view. They could, for example, argue that the Issuer does not qualify for protection under the UK-German double tax treaty or that one or more of the Mortgage Loans have to be allocated to a German permanent establishment of the Issuer.

The Issuer's business profits would also be subject to German trade tax if the Issuer were considered to maintain a permanent establishment in Germany (and to the extent that the income derived by the Issuer was attributable to such permanent establishment).

If the Issuer were considered to be tax-resident in Germany or to maintain a German permanent establishment, the services rendered by third parties to the Issuer (e.g. by the Master Servicer) might, if the

Issuer were regarded as entrepreneur (*Unternehmer*) for German value added tax purposes, also be subject to German value added tax. The Issuer might only be entitled (if such entitlement exists at all) for a reimbursement of such value added tax to a very small extent.

If the Seller of the Mortgage Loans were subject to tax in Germany (e.g. because of being considered a tax resident of or maintaining a permanent establishment in Germany or because of lack of treaty protection) and the sale of the Mortgage Loans to the Issuer were to be considered as the transfer of a going concern (*Betriebsübernahme*), the Issuer could be held secondarily liable by the German tax authorities for any unpaid trade tax or value added tax incurred or any German taxes payable by way of withholding or deduction by the Seller in 2014 and 2015 until the transfer of the Mortgage Loans to the Issuer.

If the Issuer became liable to tax (whether as primary or secondary debtor) or if the Issuer receives services that are subject to German value added tax, this could have a material adverse effect on the cash-flows and financial condition of the Issuer and impact its ability to make payments of interest and principal under the Notes.

EU financial transaction tax

On 14 February 2013 the European Commission issued proposals, including a draft Directive (the "**Commission's Proposal**"), for a financial transaction tax ("**FTT**") to be adopted in certain participating Member States (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia). If the Commission's Proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State, or (ii) 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 swap transactions and/or purchases or sales of securities (such as authorised investments)) if it is adopted based on the Commission's Proposal. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest or principal than expected. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the Issuer, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the Issuer (and its general estate) in priority to the claims of Noteholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's Proposal. Under the Commission's Proposal, primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016. However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

U.S. Foreign Account Tax Compliance Act withholding may affect payments on the Notes or Residual Certificates

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

Withholding Tax under the Notes

In the event that any withholding or deduction for or on account of any taxes is imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will in certain circumstances, in accordance with Condition 8.5 (*Optional Redemption for Taxation or Other Reasons*) of the Notes if it would prevent such withholding, appoint a Paying Agent in another jurisdiction or use reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed.

As of the date of this Prospectus, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Notes provided that the Notes carry a right to interest and are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes and the Notes will be treated as listed on the Irish Stock Exchange if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Main Securities Market of the Irish Stock Exchange. Accordingly, on the basis of the law in force as at the date of this Prospectus, provided that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of UK tax. The applicability of any withholding or deduction for or on account of United Kingdom taxes in relation to payments of interest on the Notes is discussed further under "*United Kingdom Taxation*" below.

Registered Definitive Notes and denominations in integral multiples

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

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

Book-Entry Interests

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

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

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

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

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

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

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

Economic conditions in the Eurozone

Concerns relating to credit risk of sovereigns and of those entities which have exposure to sovereigns remain significant throughout the Eurozone despite easing in some Member States recently. In particular, concerns have been raised with respect to continuing economic, monetary and political conditions in the region comprised of the Member States of the EU that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended (the "**Eurozone**"). If such concerns do not ease further and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit Rating Agency action, any default or restructuring of indebtedness by one or more Member States or institutions within those Member States and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents (including the Seller, the Retention Holder, the Master Servicer, the Issuer Account Bank and/or the Cash Manager) and/or any Borrower in respect of its Mortgage Loan.

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

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Rated Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

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

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

In particular, investors should note that the Basel Committee on Banking Supervision ("**BCBS**") has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as "**Basel III**"), including certain revisions to the securitisation framework. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to

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

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

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

Prospective investors should therefore make themselves aware of the changes and requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Notes. The matters described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

European Market Infrastructure Regulation

EMIR came into force on 16 August 2012. EMIR and the requirements under it impose certain obligations on parties to "over the counter" ("**OTC**") derivative contracts according to whether they are "financial counterparties", such as European investment firms, alternative investment funds, credit institutions and insurance companies, or other entities which are "non-financial counterparties" or third-country entities equivalent to "financial counterparties" or "non-financial counterparties".

Financial counterparties will, depending on the identity of their counterparty, be subject to a general obligation (the "**Clearing Obligation**") to clear all "eligible" OTC derivative contracts through a duly authorised or recognised central counterparty. They must also report the details of all derivative contracts to a trade repository (the "**Reporting Obligation**") and in general undertake certain risk-mitigation techniques in respect of OTC derivative contracts which are not cleared by a central counterparty, including to comply with requirements related to timely confirmation of terms, portfolio reconciliation, dispute resolution, daily valuation and segregated margin posting (together, the "**Risk Mitigation Techniques**"). The reporting obligations under EMIR currently apply. However, the clearing obligation and the margin posting requirements do not yet apply but certain provisions may become applicable during the course of 2015.

Non-financial counterparties are not subject to the clearing obligation unless the gross notional value of all derivative contracts entered into by the non-financial counterparty and other non-financial entities in its "group", excluding eligible hedging transactions, exceed certain thresholds and its counterparty is also subject to the clearing obligation. If the Issuer exceeds the applicable thresholds, the Issuer would be subject to the clearing obligation in respect of any eligible OTC derivative contracts required to be cleared or, if the relevant OTC derivative contract is not a type required to be cleared, it may be subject to enhanced risk mitigation obligations, including the segregated margin posting requirement.

Key aspects of EMIR and its application to securitisation vehicles remain unclear. If the Issuer is required to comply with certain obligations under EMIR which may give rise to additional costs and expenses for the Issuer, this may in turn reduce amounts available to make payments with respect to the Notes. If the Issuer becomes subject to the clearing obligation and/or margin posting requirements in respect of the Swap Agreement, then the Swap Provider may terminate the Swap Agreement. In such circumstances, due to the termination of the Swap Agreement, this may reduce amounts available to make payments with respect to the Notes. In addition, it is unlikely that the Issuer would be able to comply with such requirements, which would adversely affect the Issuer's ability to enter into a replacement swap agreement or significantly increase the cost thereof, negatively affecting the Issuer's ability to hedge its interest rate risk. As a result, the amounts payable to Noteholders may be negatively affected.

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

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

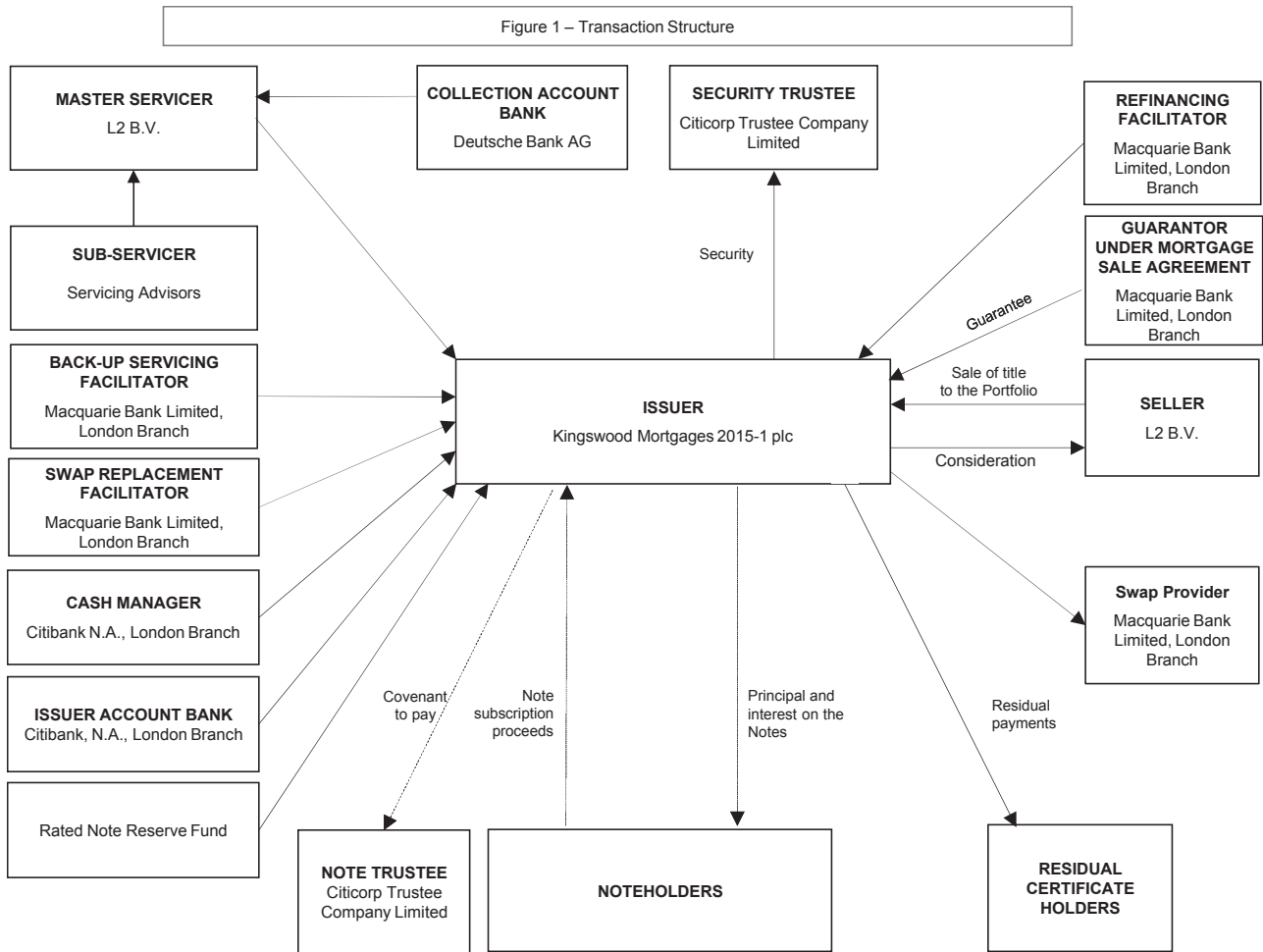
CRA Regulation

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

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

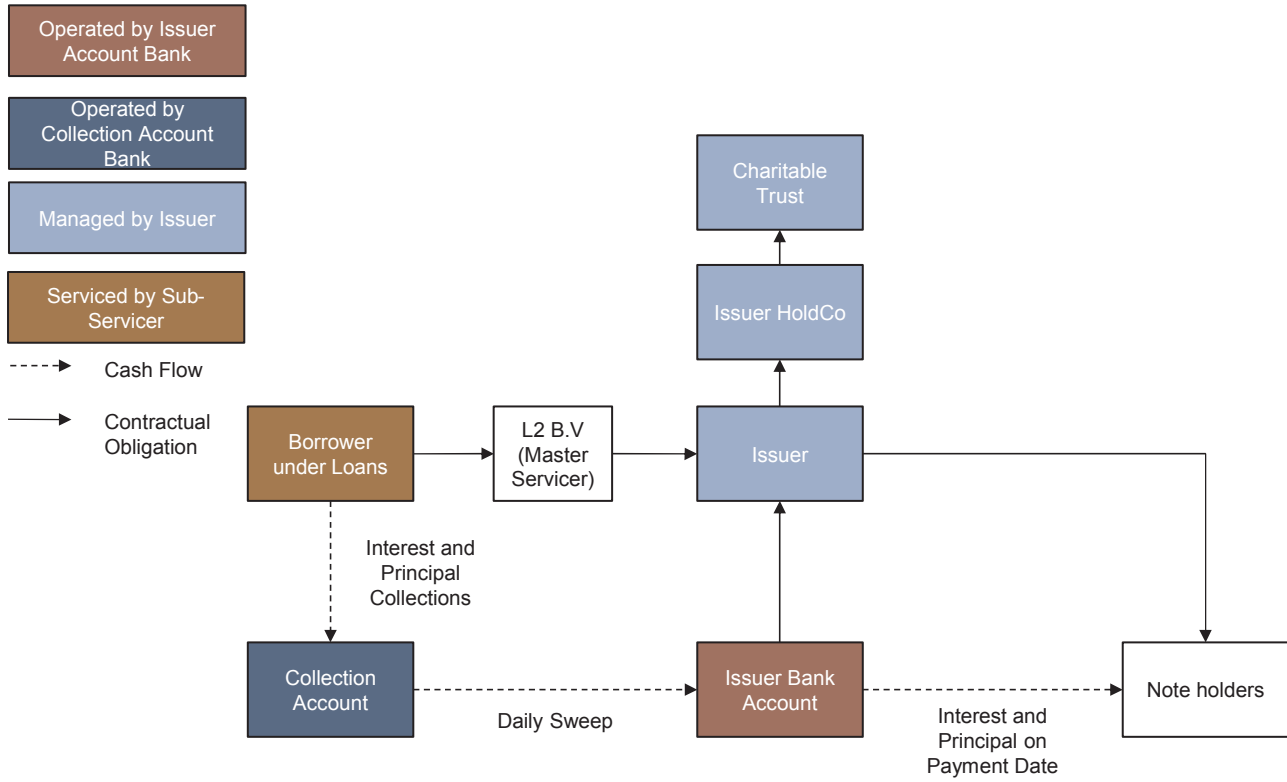
STRUCTURE DIAGRAMS

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS

Figure 2 – Cashflow Structure



The Issuer will purchase the Portfolio on the Closing Date from the Seller.

OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

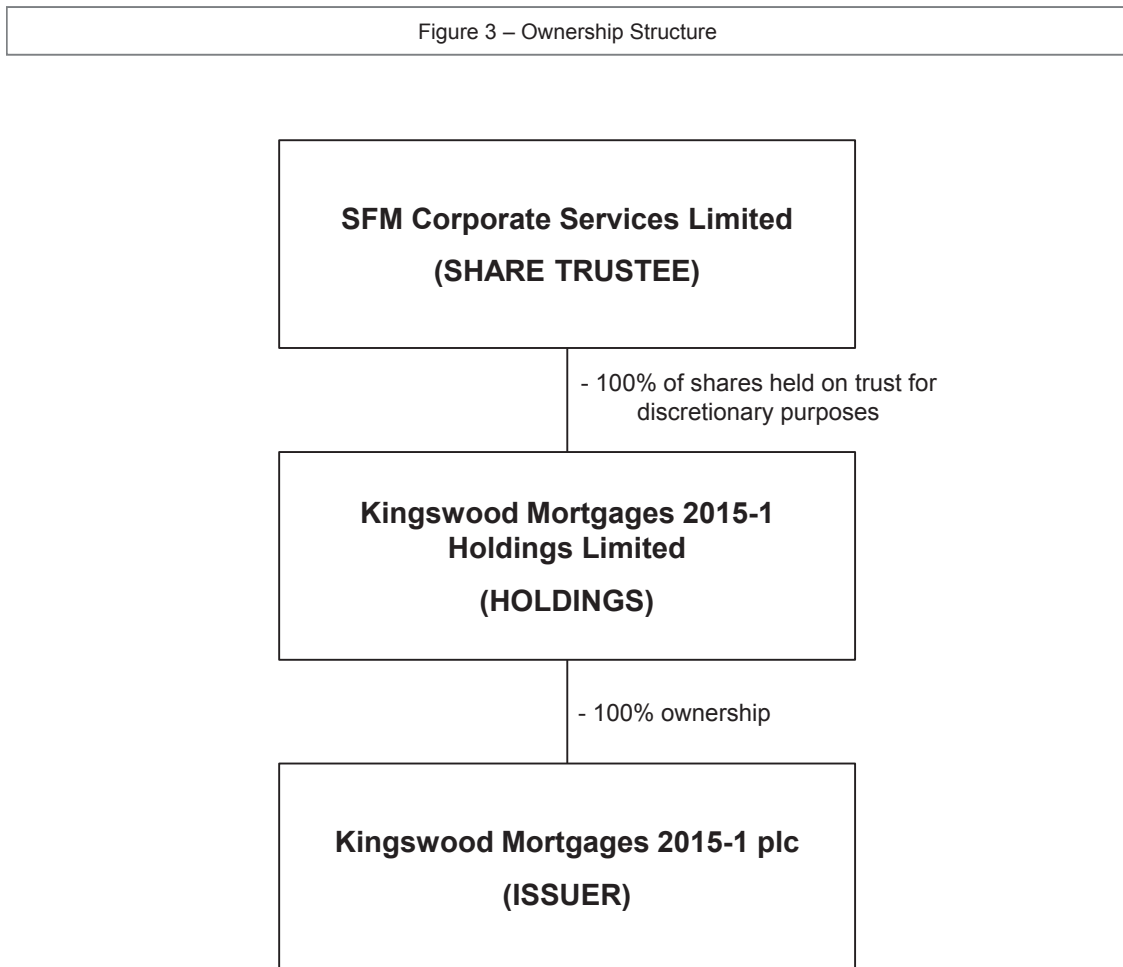


Figure 3 illustrates the ownership structure of certain special purpose companies that are parties to the Transaction Documents, as follows:

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

TRANSACTION OVERVIEW – TRANSACTION PARTIES

The information set out below is an overview of the transaction parties. This overview is not purported to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.

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

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

Details of the Originator has (for ease of reference) been set out in this Section. However, the Originator is not a Transaction Party.

Party	Name	Address	Document under which appointed/Further Information
" Issuer "	Kingswood 2015-1 plc	Mortgages 35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
" Holdings "	Kingswood 2015-1 plc Holdings Limited	Mortgages 35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
" Seller "	L2 B.V.	Ropemaker Place, 28 Ropemaker St, London EC2Y 9HD	See the sections entitled " <i>Summary of the Key Transaction Documents – The Mortgage Sale Agreement</i> " and " <i>The Seller and the Master Servicer</i> " for further information.
" Retention Holder "	Macquarie Bank Limited, London Branch	Ropemaker Place, 28 Ropemaker St, London EC2Y 9HD	See the section entitled " <i>The Retention Holder, the Refinancing Facilitator, the Swap Provider, the Swap Replacement Facilitator and the Back-up Servicing Facilitator</i> " for more information.
" Master Servicer "	L2 B.V.	Ropemaker Place, 28 Ropemaker St, London EC2Y 9HD	Master Servicing Agreement by the Issuer, the Master Servicer, the Back-up Servicing Facilitator and the Security Trustee. See

Party	Name	Address	Document under which appointed/Further Information
"Back-up Servicing Facilitator"	Macquarie Bank Limited, London Branch	Ropemaker Place, 28 Ropemaker St, London EC2Y 9HD	the sections entitled " <i>Summary of the Key Transaction Documents – The Master Servicing Agreement</i> " and " <i>The Master Servicer</i> " for further information. Master Servicing Agreement by the Issuer, the Seller and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – The Master Servicing Agreement</i> " and " <i>The Retention Holder, the Refinancing Facilitator, the Swap Provider, the Swap Replacement Facilitator and the Back-up Servicing Facilitator</i> " for further information.
"Sub-Servicer"	Servicing Advisors Deutschland GmbH	WestendCarree, Grüneburgweg 16 - 18, 60322 Frankfurt am Main, Germany	Sub-Servicing Agreement by the Sub-Servicer, the Master Servicer and the Security Trustee. See the sections entitled " <i>Summary of the Key Transaction Documents – Sub-Servicing Agreement</i> " and " <i>the Sub-Servicer</i> " for further information.
"Cash Manager"	Citibank N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Cash Management Agreement by, <i>inter alios</i> , the Issuer. See the sections entitled " <i>Summary of the Key Transaction Documents – The Cash Management Agreement</i> " and " <i>the Cash Manager and the Issuer Account Bank</i> " for further information.

"Swap Provider"	Macquarie Bank Limited, London Branch	Ropemaker Place, 28 Ropemaker St, London EC2Y 9HD	Swap Agreement by, <i>inter alios</i> , the Issuer. See the sections entitled " <i>Credit Structure – Interest Rate Risk for the Notes – Swap Agreement</i> " and " <i>Swap Provider</i> " for further information.	
"Swap Replacement Facilitator"	Macquarie Bank Limited, London Branch	Ropemaker Place, 28 Ropemaker St, London EC2Y 9HD	Swap Agreement by, <i>inter alios</i> , the Issuer. See the sections entitled " <i>Credit Structure – Interest Rate Risk for the Notes – Swap Agreement</i> " and " <i>The Retention Holder, the Refinancing Facilitator, the Swap Provider, the Swap Replacement Facilitator and the Back-up Servicing Facilitator</i> " for further information.	
"Issuer Bank"	Account	Citibank N.A., Branch London	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The Bank Account Agreement by the Issuer. See the sections entitled " <i>Summary of the Key Transaction Documents – The Bank Account Agreement</i> " for further information.
"Collection Account Bank"	Deutsche Aktiengesellschaft	Bank	Große Gallusstraße 10- 14, 60311 Frankfurt am Main, Germany	See the section entitled " <i>Summary of the Key Transaction Documents – The Collection Account Pledge Agreement</i> " for further information.
"Security Trustee"	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Deed of Charge. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.	

"Note Trustee"	Citicorp Limited	Trustee Company		Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Trust Deed. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.
"Principal Paying Agent" and "Agent Bank"	Citibank Branch	N.A.,	London	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Agency Agreement by the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
"Registrar"	Citibank Branch	N.A.,	London	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	In respect of the Notes and Residual Certificates, the Agency Agreement, by the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
"Corporate Services Provider"	Structured Management Limited		Finance	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings. See the section entitled " <i>The Corporate Services Provider</i> " for further information.
"Share Trustee"	SFM Limited	Corporate Services		35 Great St. Helen's, London EC3A 6AP	Share Trust Deed.
"Arranger"	Macquarie International Limited		Bank	Ropemaker Place, 28 Ropemaker St, London EC2Y 9HD	Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
"Joint Lead Managers"	Macquarie International Limited		Bank	Ropemaker Place, 28 Ropemaker St, London EC2Y 9HD	Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
	Merrill Lynch International			2 King Edward Street, London, EC1A 1HQ	

"Refinancing Facilitator"	Macquarie Bank Limited, London Branch	Ropemaker Place, 28 Ropemaker St, London EC2Y 9HD	Trust Deed. See the section entitled " <i>The Retention Holder, the Refinancing Facilitator, the Swap Provider, the Swap Replacement Facilitator and the Back-up Servicing Facilitator</i> " for further information.
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The Originator is not a party to any of the Transaction Documents

"Originator"	Paratus AMC GmbH (formerly GMAC-RFC Servicing GmbH and, before that, GMAC-RFC Bank GmbH)	Hohenstaufenstraße 7, 65189 Wiesbaden, Germany	N/A. See the section entitled " <i>The Originator</i> " for further information.
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TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

Please refer to the sections entitled "Summary of the Key Transaction Documents – The Mortgage Sale Agreement", "Summary of the Key Transaction Documents – MBL Guarantee".

The Master Servicing Agreement and the Sub-Servicing Agreement", "Characteristics of the Provisional Portfolio" and "The Mortgage Loans" for further details in respect of the characteristics of the Portfolio and the sale and the servicing arrangements in respect of the Portfolio.

Sale of Portfolio: The Portfolio which will be sold by the Seller to the Issuer on the Closing Date consists of:

- (a) the Purchased Loan Receivables; and
- (b) the Related Security.

The Purchased Loan Receivables and their Related Security are governed by German law.

The Purchased Loan Receivables were originated by the Originator. E-MAC DE 2009-1 B.V. (a securitisation issuer (the "**E-MAC Issuer**")) acquired the Purchased Loan Receivables and their Related Security from the original seller, GMAC-RFC Bank GmbH, (the "**Original Seller**") on 13 January 2010. On 2 July 2014 the Seller acquired the Purchased Loan Receivables and their Related Security from the E-MAC Issuer through the exercise of an option to purchase the mortgage loans granted to it by the E-MAC Issuer in accordance with the terms of the securitisation entered into by the E-MAC Issuer.

Governing law of sale and purchase: The Purchased Loan Receivables and the Related Security will be sold by the Seller to the Issuer pursuant to the terms of the English law governed Mortgage Sale Agreement.

Governing law of title transfer: Title to the Purchased Loan Receivables and their Related Security will be transferred by the Seller to the Issuer by way of the following German law governed "**Transfer Documents**", the forms of which are attached to the Mortgage Sale Agreement:

- (a) with respect to the Purchased Loan Receivables and the Related Security other than the Mortgages, the "**Loan Receivables Assignment Agreement**"; and
- (b) with respect to the Mortgages, the "**Assignment of Mortgages**". The Assignment of Mortgages is to be made in notarially certified form (*öffentlich beglaubigt*).

The terms "**sale**", "**sell**", "**sold**", "**repurchase**" and "**repurchased**" when used in this Prospectus in connection with the Purchased Loan Receivables and their Related Security shall be construed to mean the full legal transfer by the Seller to the Issuer of the Purchased Loan Receivables and their Related Security.

Features of the Mortgage Except as otherwise indicated, the following is a summary of certain

Loans:

features of the Mortgage Loans comprising the Provisional Portfolio determined by reference to the features of each loan in the Provisional Portfolio as at 30 April 2015 (the "**Portfolio Reference Date**") and investors should refer to, and carefully consider, further details in respect of the Mortgage Loans set out in the sections of this Prospectus entitled "*The Mortgage Loans*" and "*Characteristics of the Provisional Portfolio*". The Portfolio is comprised of Mortgage Loans which are either owner-occupied or buy-to-let properties and are secured by first priority charges over freehold and leasehold properties in Germany.

Number of loans in the Provisional Portfolio (as at the Portfolio Reference Date)		1,574	
	Average	Minimum	Maximum
Current Balance	€125,623	€3,032	€415,333
Current LTV	93.05%	6.18%	110.00%
Seasoning (months)	95.91	84.88	119.71
Remaining Term (months)	272.57	11.00	412.00

Consideration:

The consideration from the Issuer to the Seller in respect of the sale of the Purchased Loan Receivables and the Related Security contained in the Portfolio shall be (a) the Initial Consideration (as defined below) which is due and payable on the Closing Date, and (b) deferred consideration consisting of the Residual Payments in respect of the Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates to be issued by the Issuer and delivered to the Seller on the Closing Date.

"**Initial Consideration**" means an amount equal to 93.20% of the Current Balance of the Mortgage Loans comprising the Portfolio determined on the Cut-off Date, which is due and payable on the Closing Date.

"**Cut-off Date**" means 30 April 2015.

The "**Current Balance**" of a Mortgage Loan means, on any date, the aggregate balance of the Mortgage Loan at such date (but without double counting) including:

- (a) the original principal amount advanced to the relevant Borrower secured or intended to be secured by the related Mortgage and which has not been paid, repaid or prepaid by the relevant Borrower;
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has not been paid by the relevant Borrower and which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the

relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and

- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage,

on the basis of the start of day position on such date (which for the avoidance of doubt is inclusive of any interest rate accrual amount relating to the previous month or otherwise that has been applied on such day but is exclusive of any other payments or postings on such date).

The Seller shall transfer to the Issuer within 2 Business Days of the Closing Date, an amount equal to the aggregate of (a) all Principal Receipts received in respect of the Purchased Loan Receivables and their Related Security comprised in the Portfolio from (but excluding) the Cut-off Date to (but excluding) the Closing Date; and (b) the greater of (i) zero and (ii)(A) all Revenue Receipts received on the Purchased Loan Receivables and their Related Security comprised in the Portfolio from (but excluding) the Cut-off Date to (but excluding) the Closing Date, less (B) an amount equal to any Retained Accrued Interest (which the Seller will be entitled to retain).

"Retained Accrued Interest" means any and all (i) interest accruing, (ii) prepayment fees received and (iii) any other fees received in respect of any Mortgage Loan in the period from (but excluding) the Cut-off Date to (but excluding) the Closing Date, provided that such Mortgage Loan is not in arrears with respect to the payment of any amount as at the Closing Date.

Certificateholders:

Any Residual Payment will be paid to the Certificateholder in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

Representations and Warranties:

On the Closing Date, the Seller will make certain Loan Warranties to the Issuer in relation to the Purchased Loan Receivables and their Related Security comprised in the Portfolio.

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

- (a) The Purchased Loan Receivables are duly and validly existing.
- (b) So far as the Seller is aware, each Mortgage Loan was originated by the Originator.
- (c) The Seller has full right and legal title to the Loan Receivables and the Related Security, and no restrictions on the sale and assignment of the Loan Receivables and the Related Security are in effect.
- (d) The Purchased Loan Receivables and the Related Security are free and clear of, and economic and legal title to the Purchased Loan

Receivables and Related Security will be conveyed to the Issuer free and clear of, any rights, encumbrances and attachments, and no rights have been granted in favour of any third party in respect of the Purchased Loan Receivables and the Related Security.

- (e) So far as the Seller is aware, in the servicing of the Mortgage Loans, neither the Seller nor anyone acting on behalf of the Seller has participated in any fraud or intentional material misrepresentation with respect to the Mortgage Loans.
- (f) Each Purchased Loan Receivable is secured by a Mortgage on a Mortgaged Property located in Germany and is governed by German law.
- (g) All Mortgages (i) constitute valid mortgage rights on the Mortgaged Properties and, to the extent relating to the Mortgages, have been entered into the appropriate land register; (ii) are, in section III (*Abteilung 3*) of the land register, first ranking or first ranking and sequentially lower ranking in favour of the Originator; and (iii) were vested in respect of the relevant Loan Receivable to secure the repayment of an Outstanding Principal Amount.
- (h) Each Purchased Loan Receivable and the related Mortgage constitute legal, valid, binding and enforceable obligations of the relevant Borrower or, if applicable, any guarantor, except for any limitation on enforceability due to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally.
- (i) No more than 1.0% of the Mortgage Loans in the Portfolio were during the twelve calendar months immediately preceding the Cut-off Date, more than 60 days in arrears in respect of any payment required pursuant to the loan contract underlying such Mortgage Loan, without giving effect to any applicable grace period.
- (j) All Mortgages qualify as certificated Mortgages (*Briefgrundschulden*).

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

Repurchase of the Mortgage Loans and Related Security:

Where a repurchase notice is served on the Seller more than 15 Business Days prior to the end of the Prescribed Period, the Seller (or failing which MBL under the guarantee provided by it under the Mortgage Sale Agreement) will repurchase the relevant Purchased Loan Receivables and their Related Security upon a material breach of Loan Warranties as at the Closing Date (which the Seller fails to remedy within the agreed grace period or if not capable of remedy). During the Prescribed Period, and provided the Seller receives the repurchase notice by the prescribed time, the Seller (and MBL, but only in respect of the guarantee provided by it under the Mortgage Sale Agreement) shall have no liability for a material breach of a Mortgage Loan Warranty other than the obligation to repurchase in accordance with the terms of the Mortgage Sale Agreement.

For these purposes, the "**Prescribed Period**" means the period of 120 days

(including the last day of that period) commencing on the date that the Purchased Loan Receivable and the Related Security was acquired by the Issuer pursuant to the Mortgage Sale Agreement or such greater period as may be agreed between the Seller and the Australian Prudential Regulation Authority.

Macquarie Bank Limited, London Branch ("**MBL**") will provide a guarantee to the Issuer in respect of the repurchase obligations and certain indemnity payment obligations of the Seller under the Mortgage Sale Agreement. Under such guarantee, upon the failure of the Seller to repurchase a Purchased Loan Receivable pursuant to the terms of the Mortgage Sale Agreement, MBL will procure that it or one of its subsidiaries repurchases such Purchased Loan Receivable.

See the section entitled "*Summary of the Key Transaction Documents – MBL Guarantee*" for further details.

Re-Transfer Documents:

In connection with a repurchase in accordance with the terms of the Mortgage Sale Agreement, any re-transfer of title to a Purchased Loan Receivable and its Related Security from the Issuer or the Security Trustee to the Seller (or MBL as applicable) is to be effected pursuant to the following "**Re-Transfer Documents**" which are governed by German law and forms of which are attached to the Mortgage Sale Agreement:

- (a) as far as the relevant Purchased Loan Receivable and its Related Security other than the Mortgage is concerned, pursuant to a "**Loan Receivables Re-Assignment Agreement**"; and
- (b) as far as the relevant Mortgages is concerned, pursuant to a "**Re-Assignment of Mortgages**". The Re-Assignment of Mortgages is to be made in notarially certified form (*öffentlich beglaubigt*).

Consideration for repurchase (prior to the end of the Prescribed Period):

Other than in respect of a repurchase by the Seller or MBL of the Portfolio to effect a redemption of the Notes on an Interest Payment Date on which (i) the aggregate Principal Amount Outstanding of the Rated Notes and the Class F Notes and the Subordinated Notes (as of the immediately preceding Calculation Date) *plus* (ii) the balance standing to the credit of the Rated Note Reserve Fund (on the immediately following Interest Payment Date, prior to the application of any monies in accordance with the Priorities of Payment on such date), is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Rated Notes and the Class F Notes and the Subordinated Notes on the Closing Date, where the Seller or MBL (or one of its subsidiaries) is required to repurchase an affected Purchased Loan Receivable and its Related Security during the Prescribed Period, the consideration payable by the Seller (or MBL) shall be equal to the aggregate of:

- (a) 93.44% of the Current Balance of the relevant Mortgage Loan as at the date of its repurchase; and (disregarding for the purposes of any such calculation to the extent that the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Issuer or the Security Trustee, the amount of any such reduction in the Current Balance) as at the relevant date of any such repurchase; and

- (b) the reasonable costs and expenses of the Issuer in relation to the repurchase of the relevant Mortgage Loan.

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

**Payment of Loan Indemnity
Warranty Payments
following the end of the
Prescribed Period:**

Following the end of the Prescribed Period (or in respect of Purchased Loan Receivables which have not already been the subject of a repurchase notice, if the Issuer (or the Master Servicer on its behalf) has not served a notice requiring repurchase of the relevant Purchased Loan Receivable and its Related Security prior to 15 Business Days before the end of the Prescribed Period), the sole remedy of the Issuer in respect of any material breach of a Loan Warranty (which is not remedied within the prescribed time period or not capable of remedy) will be an indemnity from the Seller (failing which MBL as guarantor under the Mortgage Sale Agreement) against any costs, damages or loss arising from any representation or warranty being materially incorrect when made by the Seller pursuant to the Mortgage Sale Agreement in relation to a Purchased Loan Receivable and its Related Security (any such amount being a **Loan Indemnity Warranty Payment**). The amount of any Loan Indemnity Warranty Payment will be the amount of actual costs, damages or loss suffered by the Issuer (as determined by the Master Servicer), and must not exceed an amount equal to (i) 93.44% multiplied by the Current Balance of the affected Purchased Loan Receivable and its Related Security (disregarding for these purposes limb (c) of the definition of Current Balance) plus (ii) an amount equal to limb (c) of the definition of Current Balance, in respect of the relevant Purchased Loan Receivable and its Related Security and any outstanding fees in respect of the Purchased Loan Receivable calculated by the Master Servicer pursuant to the Mortgage Sale Agreement.

**Borrower Notification
Events:**

Upon the occurrence of a Borrower Notification Event the Seller shall, unless the Security Trustee instructs it otherwise, forthwith notify or, at the Security Trustee's option, the Security Trustee shall, without undue delay, notify (a) the relevant Borrowers, and (b) to the extent these have not been already notified thereof, any life insurance company and any savings bank with whom the Borrower has entered into a Life Insurance Policy or a Savings Scheme, respectively, which is included in the Related Security and any other relevant party indicated by the Security Trustee of the assignment of the Purchased Loan Receivables or, at its option, the Issuer shall be entitled to make such notifications itself.

Any of the following events shall constitute a "**Borrower Notification Event**":

- (a) the Seller (or MBL but only in relation to the specific obligations of the Seller guaranteed by it under the Mortgage Sale Agreement (the "**Guaranteed Obligations**")) fails to pay on the due date any amount due and payable by it under the Mortgage Sale Agreement or under any other Transaction Document to which it is a party and such default is not remedied within five Business Days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller and MBL;

- (b) the Seller (or MBL but only in relation to a Guaranteed Obligation under the Mortgage Sale Agreement) fails to perform or comply with any of its obligations under the Mortgage Sale Agreement or under any other Transaction Document to which it is a party (other than those referred to in paragraph (a) above) and, if such failure is capable of being remedied, such failure is not remedied within 30 days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller and MBL, respectively;
- (c) the Seller or MBL is subject to an Insolvency Event; or
- (d) the Mortgage Sale Agreement or any other Transaction Document ceases to be the legal, valid and binding obligation of the Seller; or the Seller (or, in respect of the guarantee by MBL in respect of the Guaranteed Obligations, MBL under the Mortgage Sale Agreement) declares or admits that the Mortgage Sale Agreement or any other Transaction Documents to which it is a party is not its legal, valid and binding obligation; or
- (e) a Master Servicer Termination Event within the meaning of item (a), (b), (c) or (d) of the definition of Master Servicer Termination Event has occurred.

Servicing of the Portfolio:

Under the Master Servicing Agreement, the Master Servicer has agreed to provide mortgage services as set out in the Master Servicing Agreement in relation to the Purchased Loan Receivables and the Related Security which comprise both the Master Servicer Services and the Sub-Services. The Sub-Services will be delegated by the Master Servicer to the Sub-Servicer pursuant to the Sub-Servicing Agreement. The Master Servicer Services will be retained, and carried out (except where otherwise delegated in accordance with the terms of the Master Servicing Agreement), by the Master Servicer. The Master Servicer Services comprise, *inter alia*:

- (i) determining and setting the prepayment penalties and the mortgage interest rates (following the expiry of a fixed interest determination period of a Purchased Loan Receivable);
- (ii) procuring that the prepayment penalties and the mortgage interest rates (following the expiry of a fixed interest determination period of a Purchased Loan Receivable) are communicated to the relevant Borrowers; and
- (iii) giving directions to the Sub-Servicer under the Sub-Servicing Agreement.

See the section entitled "*Summary of the Key Transaction Documents – The Master Servicing Agreement*" for further details.

The Master Servicer has appointed, as of the Closing Date, the Sub-Servicer pursuant to the terms of the Sub-Servicing Agreement entered into between the Master Servicer, the Sub-Servicer, Macquarie Bank Limited, London Branch and the Security Trustee. Pursuant to the Sub-Servicing Agreement, the Master Servicer has delegated the Sub-Services to the Sub-

Servicer. The Sub-Services comprise, *inter alia*, the following:

- (i) collecting all sums due in relation to the Purchased Loan Receivables and the Related Security and providing administration services in relation to the collection of the Purchased Loan Receivables and the Related Security;
- (ii) reporting to the Master Servicer on the performance of the Purchased Loan Receivables and the Related Security as described in the Sub-Servicing Agreement;
- (iii) taking enforcement measures in relation to delinquent Purchased Loan Receivables and their Related Security in accordance with the credit and collection procedures or otherwise as instructed by the Master Servicer.

See the section entitled "*Summary of the Key Transaction Documents – The Master Servicing Agreement*" for further details.

Collection Account:

The Collection Account ("**Collection Account**") is held in the name of the Seller with the Collection Account Bank. All amounts due from each Borrower in respect of the Mortgage Loans and Loan Receivables shall be collected directly into the Collection Account. The Seller, in its capacity as Master Servicer, will grant authority to the Sub-Servicer to manage the Collection Account on a day-to-day basis in accordance with the terms of the Sub-Servicing Agreement. In particular, the Sub-Servicer shall procure that all Collections received on the Collection Account are transferred on a daily basis to the Issuer Account provided that (i) a minimum daily balance of €25,000 shall be retained in the Collection Account and (ii) certain servicing expenses may be debited from the Collection Account as specified in detail in the Sub-Servicing Agreement. "**Collections**" means any payment of interest, repayment of principal or any other financial advantage (*finanzieller Vorteil*) discharging or reducing the Current Balance in relation to the Purchased Loan Receivables and including any commitment fee payable by the relevant Borrowers under the loan agreements underlying such Purchased Loan Receivables.

The Collection Account will be pledged in favour of the Issuer and dated on or about the Closing Date pursuant to the Collection Account Pledge Agreement, between, amongst others, the Seller as pledgor, the Issuer as pledgee and the Security Trustee, entered into on or around the Closing Date (the "**Collection Account Pledge Agreement**"), in order to secure the claims of the Issuer against the Seller/Master Servicer under the Transaction Documents, including in particular, without limitation, the obligation to transfer Collections under the Master Servicing Agreement. By way of the Issuer assigning all of its claims against the Seller under the German law governed Transaction Documents to the Security Trustee as part of the Assigned German Security under the German Security Agreement, the pledge over the Collection Account will be transferred to the Security Trustee as a matter of statutory German law due to its accessory nature (*Akzessorietät*).

TRANSACTION OVERVIEW – SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

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

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes	Subordinated Notes
Principal Amount:	€138,570,000	€19,220,000	€7,390,000	€5,360,000	€6,100,000	€8,130,000	€1,770,000
Credit enhancement features:	Subject to the application of the Pari Passu Conditions, overcollateralisation funded by the Overcollateralisation Amount, other Notes (other than the Subordinated Notes), Available Revenue Receipts remaining after payment of interest on Class A Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all amounts credited to the Rated Note Reserve	Subject to the application of the Pari Passu Conditions, overcollateralisation funded by the Overcollateralisation Amount, other Notes (other than the Class A Notes and Subordinated Notes), Available Revenue Receipts remaining after payment of interest due in respect of the Class B Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all amounts credited to the	Subject to the application of the Pari Passu Conditions, overcollateralisation funded by the Overcollateralisation Amount, other Notes (other than the Class A Notes, Class B Notes and Subordinated Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class C Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all	Subject to the application of the Pari Passu Conditions, overcollateralisation funded by the Overcollateralisation Amount, other Notes (other than Class A Notes, Class B Notes, Class C Notes and Subordinated Notes) and Available Revenue Receipts remaining after payment of interest due in respect of the Class D Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an	Subject to the application of the Pari Passu Conditions, overcollateralisation funded by the Overcollateralisation Amount, the Class F Notes and Available Revenue Receipts remaining after payment of interest due in respect of the Class E Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all amounts credited to the Rated Note Reserve Fund Ledger	Subject to the application of the Pari Passu Conditions, overcollateralisation funded by the Overcollateralisation Amount and Available Revenue Receipts remaining after payment of interest due in respect of the Class F Notes and all other amounts ranking in priority thereto and following the service of an Enforcement Notice all amounts standing to the credit of the Rated Note Reserve Fund Ledgers	Available Revenue Receipts remaining after payments due in respect of the Subordinated Notes and all other amounts ranking in priority thereto

	<u>Class A Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class E Notes</u>	<u>Class F Notes</u>	<u>Subordinated Notes</u>
Fund Ledger		Rated Note Reserve Fund Ledger	amounts credited to the Rated Note Reserve Fund Ledger	Enforcement Notice, all amounts credited to the Rated Note Reserve Fund Ledger			
Liquidity support features:	Subordination in payment of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Subordinated Notes, Available Principal Receipts applied as Senior Principal Reallocation Amounts to provide for any Residual Senior Shortfall, and the amounts credited to the Rated Note Reserve Fund	Subordination in payment of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Subordinated Notes, and the amounts credited to the Rated Note Reserve Fund	Subordination in payment of the Class D Notes, the Class E Notes, the Class F Notes and the Subordinated Notes and the amounts credited to the Rated Note Reserve Fund	Subordination in payment of the Class E Notes, the Class F Notes and the Subordinated Notes and the amounts credited to the Rated Note Reserve Fund	Subordination in payment of the Class F Notes and the Subordinated Notes and the amounts credited to the Rated Note Reserve Fund	Subordination in payment of the Subordinated Notes	None
Issue Price:	100%	100%	100%	100%	100%	100%	100%
Reference Rate:	Three Month EURIBOR*	Three Month EURIBOR*	Three Month EURIBOR*	Three Month EURIBOR*	Three Month EURIBOR	Three Month EURIBOR*	Three Month EURIBOR*

* Except in respect of the first Interest Period, where the Reference Rate will be the linear interpolation of EURIBOR for 3 and 6 month deposits in Euro.

	<u>Class A Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class E Notes</u>	<u>Class F Notes</u>	<u>Subordinated Notes</u>
Margin:	0.90% per annum	2.00% per annum	2.50% per annum	2.75% per annum	3.00% per annum	4.50% per annum]	4.50% per annum
Interest Accrual Method:	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360
Interest Payment Dates:	27th day of each of July, October, January and April	27th day of each of July, October, January and April	27th day of each of July, October, January and April	27th day of each of July, October, January and April	27th day of each of July, October, January and April	27th day of each of July, October, January and April	27th day of each of July, October, January and April
First Interest Payment Date:	27 October 2015	27 October 2015	27 October 2015	27 October 2015	27 October 2015	27 October 2015	27 October 2015
Final Maturity Date:	The Interest Payment Date falling in October 2052	The Interest Payment Date falling in October 2052	The Interest Payment Date falling in October 2052	The Interest Payment Date falling in October 2052	The Interest Payment Date falling in October 2052	The Interest Payment Date falling in October 2052	The Interest Payment Date falling in October 2052
Step-Up Margin (to be aggregated with the Margin after the Optional Redemption Date):	0.45% per annum	1.00% per annum	1.25% per annum	1.375% per annum	1.50% per annum	0.00% per annum	0.00% per annum

	<u>Class A Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class E Notes</u>	<u>Class F Notes</u>	<u>Subordinated Notes</u>
Optional Redemption Date:	The Interest Payment Date falling in July 2020	The Interest Payment Date falling in July 2020	The Interest Payment Date falling in July 2020	The Interest Payment Date falling in July 2020	The Interest Payment Date falling in July 2020	The Interest Payment Date falling in July 2020	The Interest Payment Date falling in July 2020
Application for Exchange Listing:	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
ISIN:	XS1241576922	XS1241578118	XS1241578381	XS1241578548	XS1241578894	XS1241579868	XS1241580106
Common Code:	124157692	124157811	124157838	124157854	124157889	124157986	124158010
Ratings (Moody's/DBRS):	Aaa(sf)/ AAA(sf)	Aa1(sf)/ AA(sf)	A2(sf)/ A(sf)	Baa3(sf)/ BBB(sf)	Ba1(sf)/BB(sf)	Not rated	Not rated
Minimum Denomination:	€100,000	€100,000	€100,000	€100,000	€100,000	€100,000	€100,000
Governing law of the Notes:	English	English	English	English	English	English	English

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the EU and is registered under Regulation (EU) No 1060/2009.

TRANSACTION OVERVIEW – OVERVIEW OF THE CHARACTERISTICS OF THE NOTES AND THE RESIDUAL CERTIFICATES

Ranking and Form of the Notes: On the Closing Date, the Issuer will issue the following classes of Notes under the Trust Deed:

- Class A Mortgage Backed Floating Rate Notes due 2052 (the "**Class A Notes**");
- Class B Mortgage Backed Floating Rate Notes due 2052 (the "**Class B Notes**");
- Class C Mortgage Backed Floating Rate Notes due 2052 (the "**Class C Notes**");
- Class D Mortgage Backed Floating Rate Notes due 2052 (the "**Class D Notes**");
- Class E Mortgage Backed Floating Rate Notes due 2052 (the "**Class E Notes**");
- Class F Mortgage Backed Floating Rate Notes due 2052 (the "**Class F Notes**"); and
- Subordinated Floating Rate Notes due 2052 (the "**Subordinated Notes**"),

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

The Notes will be issued on the Issue Date. On and from the Optional Redemption Date, the Issuer may redeem the Notes in full on any Interest Payment Date by issuing further notes (the "**Refinancing Notes**") in accordance with Condition 8.6 (*Refinancing Call Option*) (any such date of refinancing being an "**Optional Refinancing Date**"). The Issuer may only issue Refinancing Notes on the Optional Refinancing Date where the proceeds of the Refinancing Notes would be sufficient to redeem all amounts due in respect of the Notes in full.

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

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

Redemption of the Notes: The Notes will be subject to sequential redemption on any Interest Payment Date on which, prior to the delivery of an Enforcement Notice, the Pari

Passu Conditions have not been satisfied (or, if the Pari Passu Conditions have been satisfied, the Retained Hold Limit has not been reached) and at any time following the delivery of an Enforcement Notice.

The Most Senior Class of Notes, the Class F Notes and the Subordinated Notes will be subject to pari passu redemption on any Interest Payment Date, prior to the delivery of an Enforcement Notice, provided that the Pari Passu Conditions have been satisfied and the Retained Hold Limit has been reached. On any such Interest Payment Date, prior to the service of an Enforcement Notice, on which the Pari Passu Conditions have been met and the Retained Hold Limit has been reached, the Class F Notes and the Subordinated Notes will receive amounts of principal paid to them on a pari passu basis with the Most Senior Class of Notes, such that the Rated Notes Pro Rata Amount will be applied towards a redemption of the Most Senior Class of Notes, the Class F Notes Pro Rata Amount will be applied towards a redemption of the Class F Notes, and the Subordinated Notes Pro Rata Amount will be applied towards a redemption of the Subordinated Notes. Therefore, principal could be paid on the Class F Notes and the Subordinated Notes when principal is not paid on all Classes of Rated Notes other than the Most Senior Class of Notes, provided that the Class F Notes and the Subordinated Notes will not be entitled to an amount greater than their respective pro rata share (calculated on the basis of the ratio of the Principal Amount Outstanding of the Class F Notes or the Subordinated Notes, as applicable, to the ratio of the Principal Amount Outstanding of all Notes then outstanding) of Available Principal Receipts available to be applied in accordance with the Pre-Enforcement Principal Priority of Payments on the relevant Interest Payment Date.

Pari Passu Conditions not satisfied:

On any Interest Payment Date prior to the delivery of an Enforcement Notice on which the Pari Passu Conditions have not been satisfied and at any time following the delivery of an Enforcement Notice:

- (a) The Class A Notes rank pro rata and pari passu without preference or priority among themselves in relation to payment of interest and principal at all times.
- (b) The Class B Notes rank pro rata and pari passu without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes.
- (c) The Class C Notes rank pro rata and pari passu without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes.
- (d) The Class D Notes rank pro rata and pari passu without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes.
- (e) The Class E Notes rank pro rata and pari passu without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

- (f) The Class F Notes rank pro rata and pari passu without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.
- (g) The Subordinated Notes rank pro rata and pari passu without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to all payments under the Rated Notes and the Class F Notes.

Residual Certificates

The Residual Certificates are subordinate to all rights of payment of interest on the Notes.

Other Amounts

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

Pari Passu Conditions satisfied:

On any Interest Payment Date prior to the delivery of an Enforcement Notice on which the Pari Passu Conditions have been satisfied:

Until the Retained Hold Limit has been reached, in relation to Available Principal Receipts:

- (a) the Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times;
- (b) the Class B Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to the Class A Notes;
- (c) the Class C Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to the Class A Notes and the Class B Notes;
- (d) the Class D Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes;
- (e) the Class E Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes;
- (f) the Class F Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes; and

- (g) the Subordinated Notes rank pro rata and pari passu without preference or priority among themselves in relation to payment of interest at all times, but subordinate to all payments under the Rated Notes and the Class F Notes.

Once the Retained Hold Limit has been reached on such Interest Payment Date, in relation to any remaining Available Principal Receipts not already applied prior to the Retained Hold Limit being reached:

- (a) the Most Senior Class of Notes, the Class F Notes and the Subordinated Notes rank *pari passu* without preference or priority among themselves in relation to payment of principal, with the Most Senior Class of Notes paid the Rated Notes Pro Rata Amount, the Class F Notes paid the Class F Notes Pro Rata Amount and the Subordinated Notes paid the Subordinated Notes Pro Rata Amount, until the Notes are redeemed in full; and
- (b) no amounts will be repaid in redemption of the Rated Notes (other than the Most Senior Class of Notes when paragraph (a) applies), and such Rated Notes will accordingly rank subordinated to the Most Senior Class of Notes, the Class F Notes and the Subordinated Notes.

"Rated Notes Pro Rata Amount" means (i) all amounts of Available Principal Receipts available to be paid to holders of the Notes on such Interest Payment Date (after having accounted for amounts that rank senior in the Pre-Enforcement Principal Priority of Payments) *multiplied by* (ii) (a) the aggregate Principal Amount Outstanding of the Rated Notes *divided by* (b) the Principal Amount Outstanding of all Notes then outstanding.

For the avoidance of doubt, to the extent the Most Senior Class of Notes is redeemed in full on any Interest Payment Date on which the Pari Passu Conditions are satisfied and the Retained Hold Limit has been reached, the remaining amount of the Rated Notes Pro Rata Amount shall be applied towards payment of amounts of principal owing on the succeeding Most Senior Class of Notes so that the Rated Notes are redeemed in sequential order.

"Class F Notes Pro Rata Amount" means (i) all amounts of Available Principal Receipts available to be paid to holders of the Notes on such Interest Payment Date (after having accounted for amounts that rank senior in the Pre-Enforcement Principal Priority of Payments) *multiplied by* (ii) (a) the aggregate Principal Amount Outstanding of the Class F Notes *divided by* (b) the Principal Amount Outstanding of all Notes then outstanding.

"Subordinated Notes Pro Rata Amount" means (i) all amounts of Available Principal Receipts available to be paid to holders of the Notes on such Interest Payment Date (after having accounted for amounts that rank senior in the Pre-Enforcement Principal Priority of Payments) *multiplied by* (ii) (a) the aggregate Principal Amount Outstanding of the Subordinated Notes *divided by* (b) the Principal Amount Outstanding of all Notes then outstanding.

Residual Certificates

The Residual Certificates are subordinate to all rights of payment of interest on the Notes.

Other Amounts

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

Security:

Pursuant to:

- (a) an English law-governed deed of charge made between, among others, the Issuer and the Security Trustee (the "**Deed of Charge**"); and
- (b) a German law-governed security agreement made between the Issuer and the Security Trustee (the "**German Security Agreement**"),

the Notes and Residual Certificates will all share and have the benefit of the same security (the "**Security**"). Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security.

The Security will consist of the English security created under the Deed of Charge (the "**English Security**") and the German security created under the German Security Agreement (the "**German Security**").

Deed of Charge

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

- (a) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under the Transaction Documents (other than the Deed of Charge, the German Security Agreement and other Transaction Documents governed by German law) and any sums derived therefrom (provided that the assignment by way of security of the Issuer's rights under the Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder);
- (b) a charge by way of first fixed charge over the Issuer's interest in its bank accounts (including the Issuer Account and the Swap Collateral Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (c) a charge by way of first fixed charge over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf; and
- (d) a floating charge over all assets of the Issuer not otherwise subject to

the charges referred to above or otherwise effectively assigned by way of security.

See the section entitled "*Summary of the Key Transaction Documents – The Deed of Charge*" for further details.

German Security Agreement

Pursuant to the German Security Agreement on the Closing Date, the Notes and Residual Certificates will be secured by, among other things, the following German Security:

(a) Security Assignment

a security assignment of the following rights and claims (*Sicherungsabtretung und Sicherungsübereignung*):

- (i) all Purchased Loan Receivables together with any Related Security (including claims under any insurance policies to the extent such claims have been transferred to the Issuer as part of the Related Security) and all rights, claims and interests relating thereto, including, without limitation, the Mortgages;
- (ii) all rights, claims and interests which the Issuer is now or may hereafter become entitled to against the Seller (as the case may be in its capacity as Pledgor) and/or any other party (other than the Security Trustee) pursuant to or in respect of the Transfer Documents and/or the Collection Account Pledge Agreement;
- (iii) all rights, claims and interests which the Issuer is now or may hereafter become entitled to against the Master Servicer and/or the Back-up Servicing Facilitator and/or the Sub-Servicer and/or any other party (other than the Security Trustee) pursuant to or in respect of the Master Servicing Agreement or, as the case may be, the Sub-Servicing Agreement; and
- (iv) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled with under any other Transaction Documents (to the extent governed by German law),

(together, the "**Assigned German Security**").

(b) Pledge

A pledge (*Verpfändung*) over the Issuer's present and future claims against the Security Trustee arising under:

- (i) the German Security Agreement;
- (ii) the Master Servicing Agreement and the Sub-Servicing Agreement; and

- (iii) the other Transaction Documents (to the extent governed by German law),

(together, the "**Pledged German Security**").

Furthermore, by way of the Issuer assigning all of its claims against the Seller under the German law governed Transaction Documents to the Security Trustee as part of the Assigned German Security under the German Security Agreement, the pledge over the Collection Account will be transferred to the Security Trustee as a matter of statutory German law due to its accessory nature (*Akzessorietät*).

See the section entitled "*Summary of the Key Transaction Documents – The German Security Agreement*" for further details.

Interest Provisions:

Please refer to the "*Full Capital Structure Of The Notes*" table above and as fully set out in Condition 6 (*Interest*).

Deferral:

Interest due and payable on the Most Senior Class of Notes may not be deferred. Interest due and payable on the Notes (other than the Most Senior Class of Notes) may be deferred in accordance with Condition 18 (*Subordination by Deferral*).

Gross-up:

None of the Issuer, any Paying Agent or any other person will be obliged to pay additional amounts to Noteholders if there is any withholding or deduction required by law in respect of the Notes on account of taxes.

Redemption:

The Notes are subject to the following redemption events:

- mandatory redemption in whole on the Interest Payment Date falling in October 2052 (the "**Final Maturity Date**"), as fully set out in Condition 8.1 (*Redemption at Maturity*);
- mandatory redemption in part on any Interest Payment Date prior to the service of an Enforcement Notice (including on the Optional Redemption Date) commencing on the first Interest Payment Date, subject to availability of Available Principal Receipts (to the extent not applied to cover any Residual Senior Shortfall) which shall be applied:
 - (a) if the *Pari Passu* Conditions have not been met on any Interest Payment Date:
 - (i) first, on a *pro rata* and *pari passu* basis to repay the Class A Notes until they are repaid in full;
 - (ii) second, on a *pro rata* and *pari passu* basis to repay the Class B Notes until they are repaid in full;
 - (iii) third, on a *pro rata* and *pari passu* basis to repay the Class C Notes until they are repaid in full;
 - (iv) fourth, on a *pro rata* and *pari passu* basis to repay the Class D Notes until they are repaid in full;

- (v) fifth, on a *pro rata* and *pari passu* basis to repay the Class E Notes until they are repaid in full;
 - (vi) sixth, on a *pro rata* and *pari passu* basis to repay the Class F Notes until they are repaid in full; and
 - (vii) seventh, on a *pro rata* and *pari passu* basis to repay the Subordinated Notes until they are repaid in full; or
- (b) if the Pari Passu Conditions have been met on an Interest Payment Date:
- (i) until the Retained Hold Limit is reached on that Interest Payment Date:
 - (A) *first*, on a *pro rata* and *pari passu* basis to repay the Class A Notes until they are repaid in full;
 - (B) *second*, on a *pro rata* and *pari passu* basis to repay the Class B Notes until they are repaid in full;
 - (C) *third*, on a *pro rata* and *pari passu* basis to repay the Class C Notes until they are repaid in full; and
 - (D) *fourth*, on a *pro rata* and *pari passu* basis to repay the Class D Notes until they are repaid in full; and
 - (E) *fifth*, on a *pro rata* and *pari passu* basis to repay the Class E Notes until they are repaid in full;
 - (F) *sixth*, on a *pro rata* and *pari passu* basis to repay the Class F Notes until they are repaid in full; and
 - (G) *seventh*, on a *pro rata* and *pari passu* basis to repay the Subordinated Notes until they are repaid in full; and
 - (ii) once the Retained Hold Limit has been reached on that Interest Payment Date:
 - (A) on a *pari passu* basis (I) to repay the Most Senior Class of Notes in an amount equal to the Rated Notes Pro Rata Amount (II) to repay the Class F Notes in an amount equal to the Class F Notes Pro Rata Amount and (III) to repay the Subordinated Notes in an amount equal to the Subordinated Notes Pro

Rata Amount, until the Notes are redeemed in full; and

- (B) no amount will be paid in respect of the Rated Notes (other than the Most Senior Class of Notes when paragraph (A) applies).

For these purposes the "**Pari Passu Conditions**" will be met on any Interest Payment Date prior to the Rated Notes being repaid in full and prior to the service of an Enforcement Notice if, taking into account the application of Available Revenue Receipts and Available Principal Receipts that would have been applied on that Interest Payment Date (assuming the Pari Passu Conditions would not be satisfied on such Interest Payment Date), (a) the aggregate principal amount outstanding of the Class F Notes and the Subordinated Notes would exceed 19.9% of the aggregate Principal Amount Outstanding of all Notes then outstanding, (b) the OC Principal Deficiency Sub-Ledger has a debit balance of no more than €11,500,000 and (c) the Class F Principal Deficiency Sub-Ledger has a debit balance of zero;

The "**Retained Hold Limit**" has been met when the aggregate Principal Amount Outstanding of the Class F Notes and Subordinated Notes equals 19.9% of the aggregate Principal Amount Outstanding of all Notes then outstanding.

- mandatory redemption in full following the exercise by the Majority Certificateholder of the Majority Certificateholder Purchase Option, pursuant to the terms of Condition 8.4 (*Mandatory Redemption in full pursuant to a Majority Certificateholder Portfolio Purchase Option*) and the Trust Deed and as described further below;
- optional redemption of the Notes exercisable by the Issuer in whole (a) on each Interest Payment Date on and from the Optional Redemption Date or (b) on each Interest Payment Date on which (i) the aggregate Principal Amount Outstanding of the Rated Notes and the Class F Notes and the Subordinated Notes (as of the immediately preceding Calculation Date) *plus* (ii) the balance standing to the credit of the Rated Note Reserve Fund (on the immediately following Interest Payment Date, prior to the application of any monies in accordance with the Priorities of Payment on such date) is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Rated Notes and the Class F Notes and the Subordinated Notes on the Closing Date (as fully set out in Condition 8.3 (*Optional Redemption of the Notes in full*));
- optional redemption exercisable by the Issuer in whole for tax or other reasons (including if it becomes unlawful for the Issuer to allow to remain outstanding any of the Notes) on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 8.5 (*Optional Redemption for Taxation or Other Reasons*); and
- on any Interest Payment Date on and from the Optional Redemption

Date, the redemption of the Notes in full (by way of application of the proceeds of issuance of Refinancing Notes) in accordance with Condition 8.6 (*Refinancing Call Option*).

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

Purchase of Portfolio by Majority Certificateholder:

Pursuant to Residual Certificates Condition 8 (*Majority Certificateholder Portfolio Purchase Option*) and the Trust Deed, provided that the Majority Certificateholder is not (i) (at any time) the Seller or (ii) (prior to the occurrence of the Regulatory Date) a Seller Related Person, the Majority Certificateholder has the benefit of the Majority Certificateholder Portfolio Purchase Option to require the Issuer, on any Interest Payment Date falling on or after the Optional Redemption Date to sell and transfer to the Majority Certificateholder or its nominee (specified as such in the Exercise Notice) the Purchased Loan Receivables arising in respect of the Mortgage Loans and their Related Security, subject to the terms of the Residual Certificates and the Trust Deed. For these purposes, "**Regulatory Date**" means the date on which the current applicable Australian prudential regulations which have the effect of prohibiting any Seller Related Person to exercise such Majority Certificateholder Portfolio Purchase Option are removed or relaxed thereby allowing such option to be exercised by that Seller Related Person.

It will be a condition of the exercise of the Majority Certificateholder Portfolio Purchase Option that (a) either (i) the purchaser of the Purchased Loan Receivables arising in respect of the Mortgage Loans is resident for tax purposes in the United Kingdom or in Germany, or (ii) the Issuer having received tax advice from an appropriately qualified and experienced United Kingdom and/or German tax adviser (as applicable) in a form and substance satisfactory to it, or such other comfort as may reasonably be required by it ("**Tax Advice**"), is satisfied that sale of the relevant Purchased Loan Receivables and Related Security will not expose the Issuer or the Seller to a risk of loss in consequence of any German or United Kingdom income tax being required to be withheld from amounts paid in respect of the Mortgage Loans; and (b) the Issuer has obtained Tax Advice and as a result is satisfied that any such sale will not result in any materially adverse tax consequences for the Issuer and/or the Issuer's ability to repay the Notes in full.

If applicable, the costs relating to such tax advice shall be borne by the Majority Certificateholder.

The Majority Certificateholder Portfolio Purchase Option may be exercised by the Majority Certificateholder delivering an Exercise Notice to the Issuer with a copy to the Note Trustee, the Noteholders, the Certificateholders, the Seller and the Rating Agencies at any time for effect on any Interest Payment Date falling on or after the Optional Redemption Date. Such notice shall be given not more than 20 or fewer than five Business Days prior to the proposed Majority Certificateholder Portfolio Purchase Option Date.

The Majority Certificateholder or its nominee will be required to deposit the full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price in the Issuer Account on or prior to the day falling two

Business Days immediately preceding the proposed Majority Certificateholder Portfolio Purchase Option Date or take such other action as may be agreed with the Issuer and the Security Trustee. The Majority Certificateholder Portfolio Purchase Option Purchase Price will be held in escrow pending completion of transfer of the Majority Certificateholder Portfolio Purchase Option Loans. The full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price will be applied to redeem the Rated Notes, the Class F Notes and certain other costs and expenses in full.

See the section entitled "*Majority Certificateholder Portfolio Purchase Option*" for further details.

Expected Average Lives of the Notes:

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

Event of Default:

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

- non-payment of interest and/or principal in respect of the Most Senior Class of Notes on any Interest Payment Date (including the Final Maturity Date) when due and such non-payment continues for a period of five days in the case of interest and ten days in the case of principal;
- non-payment of principal in respect of any Note on the Final Maturity Date and such non-payment continues for a period of ten days;
- in respect of the Residual Certificates only, failure to pay any amount due in respect of the Residual Certificates and the default continues for more than five days from the due date for payment;
- breach of any material contractual obligations by the Issuer under the Transaction Documents if such breach is incapable of remedy or, if it is capable of remedy, has not been remedied within the applicable grace period;
- any material representation made by the Issuer is incorrect when given if the matters giving rise to such misrepresentation are incapable of remedy or, if they are capable of remedy, have not been remedied within the applicable grace period; and
- the occurrence of certain insolvency-related events in relation to the Issuer.

Following the occurrence of an Event of Default, the Note Trustee may (or if so directed by the Most Senior Class of Notes, shall) serve an Enforcement Notice on the Issuer that all Classes of Notes are immediately due and

payable, provided that the Note Trustee is indemnified and/or prefunded and/or secured to its satisfaction. Following service of an Enforcement Notice to the Issuer, the Security Trustee may enforce the Security.

The Note Trustee at its absolute discretion may, and, provided all of the Notes have been redeemed in full, if so directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number or if so directed by an Extraordinary Resolution of the Certificateholders shall (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed), give an Enforcement Notice to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable in any of the events described more fully in Residual Certificates Condition 11 (*Events of Default*).

Limited Recourse and Non-Petition:

The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 12.4 (*Limited Recourse*). In accordance with Condition 12.3 (*Limitations on Enforcement*), no Noteholder may proceed directly against the Issuer unless the Note Trustee or the Security Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

The Certificateholders are only entitled to funds which are available to the Issuer in accordance with the applicable Priority of Payments and therefore the Residual Certificates are limited recourse obligations of the Issuer.

Governing Law:

English law (except in respect of the Transfer Documents, the German Security Agreement, the Collection Account Pledge Agreement, the Master Servicing Agreement, the Sub-Servicing Agreement and the Re-Transfer Documents, which will be construed in accordance with German law).

Eurosystem eligibility:

The Notes and the Residual Certificates are intended to be held in a manner which allows Eurosystem eligibility. Note that this simply means that the Notes and the Residual Certificates are intended upon issue to be deposited with one of the ICSDs as common safekeeper, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS, and does not necessarily mean that the 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 satisfaction of the Eurosystem eligibility criteria.

**TRANSACTION OVERVIEW – RIGHTS OF NOTEHOLDERS AND CERTIFICATEHOLDERS
AND RELATIONSHIP WITH OTHER SECURED CREDITORS**

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

Prior to an Event of Default: Prior to the occurrence of an Event of Default, Noteholders holding not less than 10% of the Principal Amount Outstanding of the Notes then outstanding are entitled to convene a Noteholders' meeting.

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

Following an Event of Default: Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25% of the Principal Amount Outstanding of the Most Senior Class of Notes, or if an Extraordinary Resolution of the holders of the Most Senior Class of Notes is passed, direct the Note Trustee to give an Enforcement Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding together with accrued (but unpaid) interest. The Note Trustee shall not be bound to take any such action unless first indemnified and/or prefunded and/or secured to its satisfaction.

Noteholders and Certificateholders Meeting provisions:

	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	At least 21 clear days	At least ten clear days
Quorum:	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than 25% of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 25% of the Residual Certificates then in issue, as applicable, for transaction of business including for the	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than 10% of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 10% of the Residual Certificates then in issue, as applicable, for transaction of business including for the

<p>purpose of considering an Ordinary Resolution. The quorum for the purpose of considering an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and representing in aggregate not less than 50% of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 50% of the Residual Certificates then in issue, as applicable. The quorum for the purpose of considering a Basic Terms Modification shall be one or more persons eligible to attend and vote at such meeting holding or representing in aggregate not less than 75% of the aggregate Principal Amount Outstanding of each Class of Notes then outstanding and holding or representing not less than 75% of the Residual Certificates then in issue, as applicable.</p>	<p>purpose of considering an Ordinary Resolution. The quorum for the purpose of considering an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and representing in aggregate not less than 25% of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 25% of the Residual Certificates then in issue, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons eligible to attend and vote at such meeting holding or representing in aggregate not less than 50% of the aggregate Principal Amount Outstanding of each Class of Notes then outstanding and holding or representing not less than 50% of the Residual Certificates then in issue, as applicable.</p>
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<p>Required majority for Ordinary Resolution:</p>	<p>A majority of persons eligible to attend and vote at such meeting and voting at that meeting upon a show of hands or, if a poll is duly demanded, by a majority of the votes cast on such poll (an "Ordinary Resolution").</p>
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<p>Required majority for Extraordinary Resolution:</p>	<p>Not less than 75% of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by not less than 75% of the votes cast</p>
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on such poll (an "**Extraordinary Resolution**").

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

Matters requiring Extraordinary Resolution:

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

- to sanction or to approve a Basic Terms Modification;
- to sanction any compromise or arrangement proposed to be made between, among others, the Issuer or any other party to any Transaction Document;
- to sanction any abrogation, modification, compromise or arrangement in respect of the rights of, among others, the Note Trustee or any other party to any Transaction Document against any other or others of them, or against any of their property, whether such rights arise under the Trust Deed, any other Transaction Document or otherwise;
- to approve the substitution of any person for the Issuer as principal debtor under the Notes other than in accordance with Condition 8.5 (*Optional Redemption for Taxation or Other Reasons*) or Condition 13.17 (*Issuer Substitution Condition*);
- to assent to any modification of the Trust Deed or any other Transaction Document which is proposed by the Issuer or any other party to any Transaction Document or any Noteholder or Certificateholder, other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders in accordance with the terms of the Trust Deed;
- to direct the Note Trustee to serve an Enforcement Notice;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to approve the appointment of a substitute Master Servicer or Sub-Servicer in circumstances where the Master Servicer or Sub-Servicer (as the case may be) has resigned and the appointment of the substitute Master Servicer or Sub-Servicer is other than as provided for in the relevant Master Servicing Agreement and/or Sub-Servicing Agreement, (as the case may be);
- to authorise the Note Trustee, the Security Trustee and/or any

Appointee to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;

- to discharge or exonerate the Note Trustee, Security Trustee and/or any Appointee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- to appoint any persons as a committee to represent the interests of the Noteholders or the Certificateholders and to confer upon such committee any powers which the Noteholders or the Certificateholders could themselves exercise by Extraordinary Resolution;
- to sanction any scheme or proposal for the exchange, sale, conversion or cancellation of the Notes or the Residual Certificates for, or partly or wholly in consideration of, shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company, or partly or wholly in consideration of cash; or
- to give any other authorisation or sanction which under the Trust Deed or any other Transaction Document is required to be given by Extraordinary Resolution.

See Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*) in the section entitled "*Terms and Conditions of the Notes*" for more detail.

Right of modification subject to negative consent of Noteholders:

Pursuant to and in accordance with the detailed provisions of Condition 13.6 and the Trust Deed, the Note Trustee and/or the Security Trustee (as the case may be) shall be obliged, without any consent of the Noteholders, to concur with the Issuer in making any modification (other than a Basic Terms Modification) to the Conditions and/or any Transaction Document or entering into any new, supplemental or additional documents for the purposes of:

- (a) complying with, or implementing or reflecting, any change in criteria of the Rating Agencies;
- (b) complying with any changes in the requirements of Article 405 of the CRR or any other risk retention legislation, regulations or official guidance;
- (c) enabling the Notes to be (or to remain) listed on the Irish Stock Exchange;
- (d) enabling the Issuer or any other Transaction Party to comply with FATCA; or
- (e) complying with any changes in the requirements of the CRA Regulation.

The Issuer must provide at least 30 days' notice to Noteholders of each Class of the proposed modification in accordance with Condition 16

(*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes. If Noteholders representing at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer in writing that such Noteholders do not consent to the modification, then such modification will not be made unless passed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding in accordance with Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

In addition, pursuant to and in accordance with the detailed provisions of Condition 13.9, the Security Trustee and the Note Trustee shall be obliged, without any consent or sanction of the Noteholders or the other Secured Creditors but subject to the receipt of written consent from any of the Secured Creditors party to the Transaction Document being modified, to concur with the Issuer in making any modification to the Conditions and/or any other Transaction Document in order to enable the Issuer and/or any Swap Provider to comply with any obligation which applies to it under EMIR, provided that the Issuer or the relevant Swap Provider, as appropriate, certifies to the Security Trustee, the Note Trustee and the relevant Swap Provider or Issuer, as applicable, in writing that such modification is required solely for the purpose of enabling it to satisfy such obligation and has been drafted solely to such effect.

**Relationship between
Classes of Noteholders and
Certificateholders:**

Subject to the provisions governing a Basic Terms Modification, a resolution of a relevant Class of Notes shall be binding on all other Classes of Notes which are subordinate to such Class of Notes in the Post-Enforcement Priority of Payments and on the Residual Certificates, irrespective of the effect upon them. No Extraordinary Resolution of any other Class of Noteholders or of the Certificateholders shall take effect for any purpose while the Most Senior Class of Notes remains outstanding, unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes and, in the case of Residual Certificates, the holders of all Notes ranking in priority in the Post-Enforcement Priority of Payments, or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes and, in the case of Residual Certificates, the holders of all Notes ranking in priority in the applicable Priority of Payments.

The voting rights of the Certificateholders are limited to the extent that any Ordinary Resolution or Extraordinary Resolution of the Certificateholders is only effective if, while any Classes of Notes remain outstanding, such resolution has been sanctioned by an Ordinary Resolution or Extraordinary Resolution, respectively, of the Most Senior Class of Notes and all other Classes of Notes then outstanding, or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes and all other Classes of Notes then outstanding.

A Basic Terms Modification requires an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or the Residual Certificates then in issue, as applicable (unless the Note Trustee is of the opinion that it would not be materially prejudicial to the respective

interests of the holders of those affected Class of Notes and/or the Residual Certificates, as applicable).

Subject to the provisions governing a Basic Terms Modification and the foregoing paragraphs, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution in writing or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.

"Clearing System" means Euroclear and/or Clearstream, Luxembourg and includes in respect of any Note and/or Residual Certificate any clearing system on behalf of which such Note and/or Residual Certificate is held or which is the holder or (directly or through a nominee) registered owner of a Note and/or a Residual Certificate, in either case whether alone or jointly with any other Clearing System(s).

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

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the Secured Creditors other than the Noteholders.

So long as the Notes are outstanding, the Note Trustee will have regard to the interests of each class of the Noteholders, but if in the Note Trustee's sole opinion there is a conflict between the interests of any Classes of Notes, it will have regard solely to the interests of the holders of the relevant affected Class of Notes ranking in priority to all the other relevant affected Classes of Notes in the Post-Enforcement Priority of Payments and the holders of such subordinated Classes of Notes shall have no claim against the Note Trustee for so doing.

So long as any Notes or Residual Certificates are outstanding, the Security Trustee shall act on the instructions of the Note Trustee and shall not have regard to the interests of any other Secured Creditor.

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

**Relevant Person as
Noteholder or
Certificateholder:**

For certain purposes, including the determination as to whether Notes are deemed outstanding or Residual Certificates are deemed still in issue, for the purposes of convening a meeting of Noteholders or Certificateholders, those Notes or Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Seller, the Retention Holder, any Holding Company of the Seller or the Retention Holder or any other Subsidiary of such Holding Company (each such entity a **"Relevant Person"**), in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding or in issue, except where all of the Notes of any Classes or all of the Residual Certificates are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Classes of Notes (the **"Relevant Class of Notes"**) and such Residual Certificates shall be deemed to remain outstanding or in issue (as the case may be), except that, if there is any other Class of Notes

ranking senior to the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such senior Class, then the Relevant Class of Notes shall be deemed not to remain outstanding.

Provision of Information to the Noteholders and Certificateholders:

The Cash Manager on behalf of the Issuer will publish the quarterly investor report detailing, among other things, certain aggregated loan file data in relation to the Portfolio (the "**Investor Report**"). The Investor Report will be published on the website at <https://sf.citidirect.com>. In addition, loan level information will be provided on a monthly basis. The loan level information will be published on the website at <https://sf.citidirect.com>. The website (<https://sf.citidirect.com>) and the contents thereof do not form part of the Prospectus.

Communication with Noteholders and Residual Certificateholders:

Any notice to be given by the Issuer or the Note Trustee to Noteholders and/or Residual Certificateholders shall be given in the following manner:

- (a) Subject to paragraph (e) below, any notice to Noteholders shall be validly given if published in the *Financial Times*, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders and Residual Certificateholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice.
- (b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.
- (c) While the Notes or Residual Certificates, as applicable, are represented by Global Notes or Global Residual Certificates, notices to Noteholders will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders and/or Residual Certificateholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid, shall be deemed to have been given on the day of such delivery.
- (d) While the Residual Certificates are represented by Definitive Residual Certificates, the Note Trustee shall be at liberty to sanction any method of giving notice to the Certificateholders if, in

its opinion, such method is reasonable having regard to market practice then prevailing, and provided that notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall deem appropriate.

- (e) In relation to the Notes and the Noteholders, so long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange, all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange.

The Note Trustee shall be at liberty to sanction some other method where, in its sole opinion, the use of such other method would be reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or the quotation systems on or by which the Notes and/or Certificates are then listed, quoted and/or traded, and provided that notice of such other method is given to Noteholders and Certificateholders in such manner as the Note Trustee shall require.

TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

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

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

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

- (a) Revenue Receipts or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date received (i) during the immediately preceding Collection Period (after deducting, in the case of the first Collection Period only, an amount equal to any Retained Accrued Interest) or (ii) if representing amounts received in respect of any repurchases of the Purchased Loan Receivables and their Related Security by the Seller pursuant to the Mortgage Sale Agreement, from but excluding the Calculation Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including (A) the immediately preceding Calculation Date or (B) in respect of a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in full*), on such Interest Payment Date;
- (b) amounts received or to be received by the Issuer under or in connection with the Swap Agreement (other than (i) any early termination amount received by the Issuer under the Swap Agreement, (ii) Swap Collateral, (iii) any Replacement Swap Premium paid to the Issuer, and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date, other than, in each case, any Swap Collateral Account Surplus which is to be applied as Available Revenue Receipts in accordance with the Swap Collateral Account Priority of Payments);
- (c) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period (other than any amount of interest or income received in respect of any Swap Collateral) and income from any Authorised Investments to be received on or prior to the Interest Payment Date (other than any amount of income received in respect of the Swap Collateral);

- (d) any Senior Principal Reallocation Amounts (save that such amounts shall not be included in the calculation of Available Revenue Receipts for the purposes of determining any Interest Shortfall or any Residual Senior Shortfall on the relevant date);
- (e) the Rated Note Reserve Fund Available Amount;
- (f) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*);
- (g) amounts credited to the Issuer Account on the previous Interest Payment Date in accordance with item ((w)) of the Pre-Enforcement Revenue Priority of Payments;
- (h) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts;
- (i) Excess Principal Receipts; and
- (j) on the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger (other than those amounts already taken into consideration in (e) above);

less:

- (k) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - certain costs and expenses charged by the Master Servicer in respect of its servicing of the Mortgage Loans and not otherwise covered by the items below;
 - payments that do not relate to the Purchased Loan Receivables and their Related Security;
 - payments of certain insurance premiums in respect of the Insurance Policies (to the extent referable to the Mortgage Loans);
 - amounts that have been received under a Direct Debit (including, without limitation, by the Seller) which are to be repaid to the account holding bank because such Direct Debit has been rejected or returned;
 - amounts under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited; and

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

(items within (k) being collectively referred to herein as "**Third Party Amounts**");

- (l) any tax payments paid or payable by the Issuer during the immediately preceding Collection Period to the extent not funded from amounts standing to the credit of the Issuer Profit Ledger; and
- (m) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the Collection Account or to pay any amounts due to the Collection Account Bank.

"Collection Period" means each calendar month commencing from (and including) each Servicing Cut-off Date and ending on (and excluding) the immediately succeeding Servicing Cut-off Date, except that the initial period will commence on (but excludes) the Cut-off Date and ends on (but excludes) the Servicing Cut-off Date falling in July 2015.

"Servicing Cut-off Date" means the 1st day of each calendar month.

"Direct Debit" means a payment received by the payee relying on the SEPA core direct debit scheme for the manual or automated debiting of bank accounts, or any successor scheme.

"Interest Shortfall" shall, on any Interest Payment Date, be an amount equal to the aggregate of:

- (a) any shortfall in Available Revenue Receipts (and, for this purpose, without regard to any Senior Principal Reallocation Amounts) to pay items (a) to (f) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;
- (b) if:
 - (i) (A) the Class B Notes are not the Most Senior Class of Notes; or
 - (B) the debit balance on the Class B Principal Deficiency Sub-Ledger on such Interest Payment Date is zero (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and
 - (ii) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 35.2% of the aggregate Current Balance of the Mortgage Loans comprised in the Portfolio on the

Closing Date,

any shortfall in Available Revenue Receipts to pay item (h) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

(c) if:

(i) (A) the Class C Notes are not the Most Senior Class of Notes; or

(B) the debit balance on the Class C Principal Deficiency Sub-Ledger on such Interest Payment Date is zero (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

(ii) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 26.6% of the aggregate Current Balance of the Mortgage Loans comprised in the Portfolio on the Closing Date,

any shortfall in Available Revenue Receipts to pay item (j) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

(d) if:

(i) (A) the Class D Notes are not the Most Senior Class of Notes; or

(B) the debit balance on the Class D Principal Deficiency Sub-Ledger on such Interest Payment Date is zero (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

(ii) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 18.7% of the aggregate Current Balance of the Mortgage Loans comprised in the Portfolio on the Closing Date,

any shortfall in Available Revenue Receipts to pay item (l) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

(e) if:

(i) (A) the Class E Notes are not the Most Senior Class of Notes; or

(B) the debit balance on the Class E Principal Deficiency Sub-Ledger on such Interest Payment Date is zero (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

- (ii) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 14.5% of the aggregate Current Balance of the Mortgage Loans comprised in the Portfolio on the Closing Date,

any shortfall in Available Revenue Receipts to pay item (n) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date,

in each case, as determined by the Cash Manager on the immediately preceding Calculation Date.

"Calculation Date" means the day falling four Business Days prior to each Interest Payment Date;

"Initial Current Balance" means in respect of any Mortgage Loan, the Current Balance of such Mortgage Loan as at the Closing Date.

"Defaulting Loan" means in respect of any Mortgage Loan in respect of which the Related Security (i) is being enforced, or (ii) has been enforced and the related Property has been sold.

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

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date (i) received by the Issuer during the immediately preceding Collection Period and (ii) if representing amounts received in respect of any repurchases of the Purchased Loan Receivables and their Related Security (or Loan Indemnity Warranty Payments paid to the Issuer in accordance with the terms of the Mortgage Sale Agreement) that were repurchased by the Seller (or MBL) pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Calculation Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Calculation Date;

- (b) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger, and/or the Class B Principal Deficiency Sub-Ledger, and/or the Class C Principal Deficiency Sub-Ledger, and/or the Class D Principal Deficiency Sub-Ledger, and/or the Class E Principal Deficiency Sub-Ledger, and/or the Class F Principal Deficiency Sub-Ledger, and/or the OC Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date; and
- (c) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 6.9(c) (Determinations and Reconciliation).

"Loan Indemnity Warranty Payments" means (in respect of any material breach of any Loan Warranty), the indemnity payments made by the Seller (failing which MBL as guarantor under the Mortgage Sale Agreement) following the end of the Prescribed Period (or in respect of Purchased Loan Receivables which have not already been the subject of a repurchase notice, if the Issuer (or the Master Servicer on its behalf) has not served a notice requiring repurchase of the relevant Purchased Loan Receivable and its Related Security prior to 15 Business Days before the end of the Prescribed Period). The sole remedy of the Issuer in respect of any material breach of a Loan Warranty (which is not remedied within the prescribed time period or not capable of remedy) will be an indemnity from the Seller (failing which MBL as guarantor under the Mortgage Sale Agreement) against any actual costs (including legal costs charged at the usual commercial rates of the relevant legal services provider), damages or loss arising from any representation or warranty being materially incorrect when made by the Seller pursuant to the Mortgage Sale Agreement in relation to a Purchased Loan Receivable and its Related Security and which breach of representation or warranty is discovered by or notified to the Issuer after the Prescribed Period (or on or after the fifteenth day prior to the end of the Prescribed Period). The amount of any Loan Indemnity Warranty Payment will be the amount of actual costs, damages or loss suffered by the Issuer (as determined by the Master Servicer), and must not exceed an amount equal to (i) 93.44% multiplied by the Current Balance of the affected Purchased Loan Receivable and its Related Security (disregarding for these purposes limb (c) of the definition of Current Balance) plus (ii) an amount equal to limb (c) of the definition of Current Balance in respect of such Purchased Loan Receivable and its Related Security and any outstanding fees of the Issuer in respect of the Purchased Loan Receivable calculated at the time of agreement by the Master Servicer or determined by the external auditors appointed by the Master Servicer.

"Optional Redemption Date" means the Interest Payment Date falling in July 2020.

"Final Redemption Date" means the Interest Payment Date in respect of which the Cash Manager determines on the immediately preceding Calculation Date that Available Revenue Receipts (including the amount standing to the credit of the Rated Note Reserve Fund) and Available Principal Receipts available for application on such Interest Payment Date and applied in accordance with the applicable Priority of Payments on such Interest Payment Date would be sufficient to redeem in full the Rated Notes on such Interest Payment Date (including in respect of any interest which has accrued and/or is due on such date), including, as the case may be, as a result of the optional redemption of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in full*), Condition 8.4 (*Mandatory Redemption in full pursuant to a Majority Certificateholder Portfolio Purchase Option*) or Condition 8.6 (Refinancing Call Option) which shall (in any event) be no later than the Final Maturity Date.

"Pre-Enforcement Priority of Payments" means the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments.

Summary of Priorities of Payments:

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

<u>Pre-Enforcement Revenue Priority of Payments:</u>	<u>Pre-Enforcement Principal Priority of Payments:</u>	<u>Post-Enforcement Priority of Payments:</u>
(a) Amounts due to the Note Trustee and the Security Trustee and any Appointee thereof including charges, liabilities, fees, costs and expenses	Initially, Senior Principal Reallocation Amounts to be applied to meet any Residual Senior Shortfall <i>if the Pari Passu Conditions are not satisfied:</i>	(a) Amounts due in respect of the Note Trustee and the Security Trustee, Receiver and any Appointee thereof including charges, liabilities, fees, costs and expenses
(b) Amounts due to the Agent Bank, the Registrar, the Paying Agents, the Cash Manager, the Master Servicer (in respect of the Senior Master Servicing Fee only), the Back-up Servicing Facilitator, the Corporate Services Provider and the Issuer Account Bank, in each case including all fees and costs	(a) <i>Pro rata and pari passu</i> to the principal amounts due on the Class A Notes (b) <i>Pro rata and pari passu</i> to the principal amounts due on the Class B Notes (c) <i>Pro rata and pari passu</i> to the principal amounts due on the Class C Notes (d) <i>Pro rata and pari passu</i> to the principal amounts due on the Class D Notes	(b) Amounts due in respect of the fees and costs of the Agent Bank, the Registrar, the Paying Agents, the Cash Manager, the Master Servicer, the Back-up Servicing Facilitator, the Corporate Services Provider and the Issuer Account Bank, in each case including all fees and costs
(c) Third party expenses	(e) <i>Pro rata and pari passu</i> to the principal amounts due on the Class E Notes (f) <i>Pro rata and pari passu</i> to the principal amounts due on the Class F Notes (g) <i>Pro rata and pari passu</i> to the principal amounts due on the Subordinated Notes	(c) Amounts due to the Swap Provider (including any termination payments to the extent not satisfied by any applicable Replacement Swap Premium and/or any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments but excluding any Hedge Subordinated Amounts)
(d) Amounts due to the Swap Provider (including any termination payments to the extent not satisfied by any applicable Replacement Swap Premium and/or any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments but excluding any Hedge Subordinated Amounts)	(h) Remaining amounts (the "Excess Principal Receipts ") to be applied as Available Revenue Receipts	(d) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class A Notes
(e) Issuer Profit Amount	<i>If the Pari Passu Conditions are satisfied:</i> Until the Retained Hold Limit is reached on an Interest Payment	
(f) <i>Pro rata and pari passu</i> to the interest due on the Class A Notes		
(g) Amounts to be credited to the Class A Principal		

	Deficiency Sub-Ledger to eliminate any debit	Date:		
(h)	<i>Pro rata and pari passu</i> to the interest due on the Class B Notes	(a)	<i>Pro rata and pari passu</i> to the principal amounts due on the Class A Notes	(e) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class B Notes
(i)	Amounts to be credited to the Class B Principal Deficiency Sub-Ledger to eliminate any debit	(b)	<i>Pro rata and pari passu</i> to the principal amounts due on the Class B Notes	(f) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class C Notes
(j)	<i>Pro rata and pari passu</i> to the interest due on the Class C Notes	(c)	<i>Pro rata and pari passu</i> to the principal amounts due on the Class C Notes	
(k)	Amounts to be credited to the Class C Principal Deficiency Sub-Ledger to eliminate any debit	(d)	<i>Pro rata and pari passu</i> to the principal amounts due on the Class D Notes	(g) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class D Notes
(l)	<i>Pro rata and pari passu</i> to the interest due on the Class D Notes	(e)	<i>Pro rata and pari passu</i> to the principal amounts due on the Class E Notes	(h) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class E Notes
(m)	Amounts to be credited to the Class D Principal Deficiency Sub-Ledger to eliminate any debit	(f)	<i>Pro rata and pari passu</i> to the principal amounts due on the Class F Notes	
(n)	<i>Pro rata and pari passu</i> to the interest due on the Class E Notes	(g)	<i>Pro rata and pari passu</i> to the principal amounts due on the Subordinated Notes	(i) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class F Notes
(o)	Amounts to be credited to the Class E Principal Deficiency Sub-Ledger to eliminate any debit		Once the Retained Hold Limit is reached on an Interest Payment Date:	(j) Hedge Subordinated Amounts due to the Swap Provider
(p)	Amounts to be credited to the Rated Note Reserve Fund Ledger up to the Rated Note Reserve Fund Required Amount	(h)	on a <i>pro rata</i> basis to repay the Most Senior Class of Notes (in an amount equal to the Rated Notes Pro Rata Amount), the Class F Notes (in an amount equal to the Class F Notes Pro Rata Amount) and the Subordinated Notes (in an amount equal to the Subordinated Notes Pro Rata Amount)	(k) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Subordinated Notes
(q)	Amounts to be credited to the Class F Principal Deficiency Sub-Ledger to eliminate any debit		After all other amounts are applied in accordance with the applicable items above, remaining amounts (the " Excess Principal Receipts ") to be applied as Available Revenue Receipts	(l) <i>Pro rata and pari passu</i> to the amounts due and payable to third parties (if any)
(r)	Amounts to be credited to the OC Principal Deficiency Sub-Ledger			(m) Issuer Profit Amount
(s)	Amounts due to the Master			(n) Payments on the Residual Certificates

Servicer (in respect of the Junior Master Servicing Fee only);

- (t) Any Hedge Subordinated Amounts (to the extent not satisfied by any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments) due to the Swap Provider
- (u) *pro rata* and *pari passu* to the interest due on the Class F Notes
- (v) *pro rata* and *pari passu* to the interest due on the Subordinated Notes
- (w) on any Interest Payment Date falling within a Determination Period, to be credited to the Issuer Account to be applied on the next Interest Payment Date as Available Revenue Receipts
- (x) Payments on the Residual Certificates

General Credit Structure:

The credit structure of the transaction includes the following elements:

- the availability of the Rated Note Reserve Fund, funded on the Closing Date by part of the proceeds of the Subordinated Noteholders' subscription of the Subordinated Notes. An amount equal to the Rated Note Reserve Fund Available Amount will be debited from the Rated Note Reserve Fund and will be applied as Available Revenue Receipts on each Interest Payment Date (prior to the service of an Enforcement Notice). On each Interest Payment Date prior to the service of an Enforcement Notice, to the extent that there would be an Interest Shortfall on such Interest Payment Date, an amount equal to the Rated Note Reserve Fund Liquidity Release Amount shall be debited from the Rated Note Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date and applied to cure such Interest Shortfall. Any Rated Note Reserve Fund Liquidity Release Amount will be applied to meet any Interest Shortfall against the relevant items in the Pre-Enforcement Revenue Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments. After the Closing Date, the

Rated Note Reserve Fund will be replenished up to the Rated Note Reserve Fund Required Amount on each Interest Payment Date up to (but excluding) the Final Redemption Date (provided no Enforcement Notice has been served) from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments. See the section "*Credit Structure – Rated Note Reserve Fund and Rated Note Reserve Fund Ledger*".

- On the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments;

The "**Rated Note Reserve Fund Required Amount**" on any Interest Payment Date up to (but excluding) the Final Redemption Date will be an amount equal to 3.6% of the Principal Amount Outstanding of the Rated Notes as at the Closing Date and, on each Interest Payment Date on and following the Final Redemption Date, zero. On the Closing Date, the Rated Note Reserve Fund Required Amount will be equal to €6,359,040. On the Closing Date, the Rated Note Reserve Fund will be funded by the Subordinated Notes up to €1,770,000 (being 1.0% of the Principal Amount Outstanding of the Rated Notes as at the Closing Date);

- a Principal Deficiency Ledger will be established to record as a debit any Losses on the Portfolio and any Senior Principal Reallocation Amounts and record as a credit Available Revenue Receipts applied as Available Principal Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments (if any). The Principal Deficiency Ledger will comprise the following sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes), the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes), the Class C Principal Deficiency Sub-Ledger (relating to the Class C Notes), the Class D Principal Deficiency Sub-Ledger (relating to the Class D Notes), the Class E Principal Deficiency Sub-Ledger (relating to the Class E Notes), the Class F Principal Deficiency Sub-Ledger (relating to the Class F Notes), and the OC Principal Deficiency Sub-Ledger (relating to the Overcollateralisation Amount). Any Losses on the Portfolio and/or any Senior Principal Reallocation Amounts will be recorded as a debit (on the date that the Cash Manager is informed of such Losses by the Master Servicer or such Senior Principal Reallocation Amounts are paid by the Cash Manager (as applicable)): (a) first, to the OC Principal Deficiency Sub-Ledger (up to a maximum amount equal to the Overcollateralisation Amount); (b) second, to the Class F Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class F Notes; (c) third, to the Class E Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class E

Notes; (d) fourth, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (e) fifth, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (f) sixth, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and (g) seventh, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Mortgage Loan firstly to outstanding fees and interest amounts due and payable on the relevant Mortgage Loan. The Principal Deficiency Ledger will be credited by the amount of any Available Revenue Receipts applied as Available Principal Receipts in accordance with items (g), (i), (k), (m), (o), (q) and (r) of the Pre-Enforcement Revenue Priority of Payments. See the section "*Credit Structure – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer*" below;

- pursuant to item (a) of the Pre-Enforcement Principal Priority of Payments, to the extent that, after application of the Available Revenue Receipts (and for this purpose, without regard to any Senior Principal Reallocation Amounts and any Excess Principal Amounts) in accordance with the Pre-Enforcement Revenue Priority of Payments and any Rated Note Reserve Fund Liquidity Release Amount to meet any Interest Shortfall against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, there is a Residual Senior Shortfall, the Issuer shall apply an amount of Available Principal Receipts equal to the Residual Senior Shortfall (the "**Senior Principal Reallocation Amounts**") as Available Revenue Receipts. Any Available Principal Receipts applied as Senior Principal Reallocation Amounts will be recorded as a debit to the Principal Deficiency Ledger;
- the availability of interest provided by the Issuer Account Bank in respect of monies held in the Issuer Accounts and income from any Authorised Investments (other than any amount of interest and/or income received in respect of the Swap Collateral) (see the section "*Cashflows*" for further details); and
- availability of the interest rate swap provided by the Swap Provider to hedge against the possible variance between the rates of interest payable on the Mortgage Loans in the Portfolio and a rate of interest calculated by reference to three month EURIBOR or in respect of the first Interest Period the linear interpolation of three and six months EURIBOR (see

the section "*Credit Structure – Interest Rate Risk for the Notes*" for further details).

Overcollateralisation Amount:

The "**Overcollateralisation Amount**" will be calculated on the Closing Date as an amount equal to the Outstanding Principal Balance of the Mortgage Loans as at the Cut-off Date minus the Principal Amount Outstanding of the Notes (other than the Subordinated Notes) as at the Closing Date.

The "**Outstanding Principal Balance**" of a Purchased Loan Receivable means, on any date, the aggregate outstanding principal balance of the Mortgage Loan at such date (but without double counting) comprising:

- (a) the original principal amount advanced to the relevant Borrower, together with any further advance made prior to the relevant date, in each case secured or intended to be secured by the related Mortgage and which has not been paid, repaid or prepaid by the relevant Borrower; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has not been paid by the relevant Borrower and which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage,

on the basis of the start of day position on such date (which for the avoidance of doubt is inclusive of any interest rate accrual amount relating to the previous month or otherwise that has been applied on such day, but is exclusive of any other payments or postings on such date).

Bank Accounts and Cash Management:

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

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

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

Swap Agreement:

Payments received by the Issuer under certain of the Mortgage Loans will be subject to fixed rates of interest for an initial period of time. The interest amounts payable by the Issuer in respect of the Rated

Notes will be calculated by reference to three month or, in respect of the first Interest Period, the linear interpolation of three and six month EURIBOR. To hedge against the potential variance between the fixed rates of interest received on certain of the Mortgage Loans in the Portfolio and the rate of interest payable on the Rated Notes, the Issuer will enter into the Swap Transaction with the Swap Provider under the Swap Agreement.

TRANSACTION OVERVIEW – TRIGGERS TABLES

Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
Issuer Account Bank:	A short term deposit rating of at least P-1 by Moody's and a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A by DBRS, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Rated Notes (the " Account Bank Rating ").	<p>If the Issuer Account Bank fails to maintain any of the Account Bank Ratings, then the Issuer shall, within 30 calendar days of such downgrade:</p> <ul style="list-style-type: none"> (a) close the Issuer Account with such Issuer Account Bank and use all reasonable endeavours to open replacement accounts with a financial institution (i) having the Account Bank Ratings and (ii) which is a bank as defined in Section 991 of the Income Tax Act 2007 and which will pay any interest on the balance of the bank account in the ordinary course of its business (for the purpose of section 878 of the ITA); (b) use all reasonable endeavours to obtain a guarantee of the obligations of such Issuer Account Bank under the relevant Bank Account Agreement from a financial institution which has the Account Bank Ratings; or (c) take any other reasonable action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes, <p>in each case as prescribed in the Bank Account Agreement, and transfer amounts standing to the credit of relevant Issuer Accounts and all Ledgers on the relevant Issuer Accounts to the replacement Issuer Accounts.</p>
Collection Account Bank:	A long-term unsecured, unsubordinated and unguaranteed debt rating of at least BBB by DBRS, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the	<p>If the Collection Account Bank fails to maintain any of the Collection Account Bank Ratings, then the Master Servicer shall:</p> <ul style="list-style-type: none"> (a) open a replacement collection account in the name of the Master

Rated Notes (the "**Collection Account Bank Rating**").

Servicer with a financial institution (i) having a rating of at least the Collection Account Bank Rating and (ii) approved in writing by the Security Trustee and the Issuer; or

- (b) obtain an unconditional and unlimited guarantee of the obligations of the Collection Account Bank from a financial institution having the Collection Account Bank Rating; or
- (c) take any other action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes,

in each case as prescribed and within the time limits as set out in the Master Servicing Agreement, and transfer all Direct Debit mandates to such replacement collection account and procure that all Monthly Instalments made by a Borrower under a payment arrangement other than the Direct Debiting Scheme are made to such replacement collection account from the date on which the replacement collection account is opened.

Swap Provider: Moody's: A counterparty risk assessment from Moody's of A3 or above (the "**Qualifying Collateral Trigger Rating**").

If the Swap Provider (or its successor or any relevant guarantor) does not have the Qualifying Collateral Trigger Rating, the Swap Provider must, in accordance with the terms of the Swap Credit Support Annex, post collateral to the Issuer on the expiry of 30 Local Business Days.

A failure by the Swap Provider to take such action will, following the expiry of the relevant grace period (as set out in the Swap Agreement), allow the Issuer to terminate the Swap Agreement.

DBRS: A public international long-term, unsecured, unsubordinated and unguaranteed debt obligation rating by DBRS (or if there is no such public long-term credit rating assigned by DBRS, a DBRS Equivalent Rating) of A or above (the "**DBRS First Trigger Rating**").

If the Swap Provider (or its successor) does not have the DBRS First Trigger Rating, then the Swap Provider must, at its own cost, within 30 Business Days: (i) post collateral to the Issuer in accordance with the terms of the Swap Credit Support Annex, (ii) transfer its rights and obligations under and in respect of the Swap Agreement to an appropriately rated replacement third party or (iii) procure an appropriately rated guarantor or co-obligor.

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

Moody's: A counterparty risk assessment from Moody's of Baa1 or above (the "**Qualifying Transfer Trigger Rating**").

If the Swap Provider (or its successor or any relevant guarantor) does not have the Qualifying Transfer Trigger Rating, the Swap Provider must, post collateral to the Issuer in accordance with the terms of the Swap Credit Support Annex, and at its own cost and on a commercially reasonable efforts basis, as soon as reasonably practicable but in any event, within 30 Local Business Days: (i) procure an appropriately rated guarantor or (ii) transfer its rights and obligations under and in respect of the Swap Agreement to an appropriately rated replacement third party.

A failure by the Swap Provider to take such steps will, in certain circumstances, allow the Issuer to terminate the Swap Agreement and failure to take such steps by the end of that 30 Local Business Day period will result in an Additional Termination Event.

DBRS: A public international long-term, unsecured, unsubordinated and unguaranteed debt obligation rating by DBRS (or if there is no such public long-term credit rating assigned by DBRS, a DBRS Equivalent Rating) of BBB or above (the "**DBRS Second Trigger Rating**").

If the Swap Provider (or its successor) does not have the DBRS Second Trigger Rating, then the Swap Provider must, at its own cost, within 30 Business Days, post collateral to the Issuer in accordance with the terms of the Swap Credit Support Annex, and use commercially reasonable efforts to (i) transfer its rights and obligations under and in respect of the Swap Agreement to an appropriately rated replacement third party or (ii) procure an appropriately rated guarantor or co-obligor.

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

Non-Rating Triggers Table

Borrower Notification Event:

Upon the occurrence of a Borrower Notification Event the Seller shall, unless the Security Trustee instructs it otherwise, forthwith notify or, at the Security Trustee's option, the Security Trustee shall, without undue delay, notify (a) the relevant Borrowers and (b), to the extent that these have not been already notified thereof, any life insurance company and any savings bank with whom any relevant Borrower has entered into a Life Insurance Policy or a Savings Scheme, respectively, which is included in the Related Security and any other relevant party indicated by the Security Trustee of the assignment of the Mortgage Loans or, at its option, the Issuer shall be entitled to make such notifications itself.

Any of the following events shall constitute a "**Borrower Notification Event**":

- (a) the Seller (or MBL but only in relation to a Guaranteed Obligation under the Mortgage Sale Agreement) fails to pay on the due date any amount due and payable by it under the Mortgage Sale Agreement or under any other Transaction Document to which it is a party and such default is not remedied within five Business Days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller and MBL;
- (b) the Seller (or MBL but only in relation to a Guaranteed Obligation under the Mortgage Sale Agreement) fails to perform or comply with any of its obligations under the Mortgage Sale Agreement or under any other Transaction Document to which it is a party (other than those referred to in paragraph (a) above) and, if such failure is capable of being remedied, such failure is not remedied within 30 days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller and MBL, respectively;
- (c) the Seller or MBL is subject to an Insolvency Event;
- (d) the Mortgage Sale Agreement or any other Transaction Document ceases to be the legal, valid and binding obligation of the Seller; or the Seller (or, in respect of the Guarantee, MBL under the Mortgage Sale Agreement) declares or admits that the Mortgage Sale Agreement or any other Transaction Document is not its legal, valid and binding obligation; or
- (e) a Master Servicer Termination Event within the meaning of (a), (b), (c) or (d) of the definition of Master Servicer Termination Event has occurred.

Master Servicer Termination Events:

Following the occurrence of a Master Servicer Termination Event, the Issuer may, and if so instructed by the Security Trustee, shall

immediately, or at any time thereafter while such Master Servicer Termination Event, as applicable, continues, by notice in writing to the Master Servicer, terminate the appointment of the Master Servicer under the Master Servicing Agreement with effect from a date (not earlier than the date of the notice) specified in the relevant notice provided that the termination shall become effective only after the appointment of a substitute Master Servicer.

Each of the following events shall constitute a "**Master Servicer Termination Event**" in respect of the Master Servicer:

- (a) a non-payment by the Master Servicer with respect to any sums owed by it under the Master Servicing Agreement which is not remedied within 8 Business Days;
- (b) a material default by the Master Servicer with respect to the performance or observance of any of its covenants or other obligations under the Master Servicing Agreement, if such breach continues unremedied (if capable of being remedied) up to and including the date falling twenty (20) calendar days after written notice of such breach is given to the Master Servicer by the Issuer, provided that such default, in the opinion of the Security Trustee, is materially prejudicial to the interests of any Class of holders of Notes;
- (c) the Master Servicer ceases or threatens to cease to carry on a substantial part of the present business operations which it now conducts, including the performance of the Master Servicer Services under the Master Servicing Agreement;
- (d) the Master Servicer:
 - (i) is dissolved or has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
 - (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
 - (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
 - (iv) institutes or has instituted against it proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceedings or petition instituted against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; and (B) is not dismissed, discharged, stayed or restrained in each

case within sixty (60) days of the institution or presentation thereof;

- (v) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
 - (vi) has a creditor take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such creditor maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter;
 - (vii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified under paragraphs (i) to (vi) above (inclusive);
 - (viii) takes any formal action in indicating its consent to, approval of, or acquiescence in any of the foregoing acts;
- (e) at any time it becomes unlawful for the Master Servicer to perform all or a material part of their obligations under the Master Servicing Agreement or the Master Servicer no longer holds the relevant regulatory approvals and licenses to perform its servicing obligations;
 - (f) the Master Servicer commits any act or omission in the performance of its obligations under the Master Servicing Agreement that constitutes fraud, wilful misconduct or gross negligence or a criminal judgment is rendered against the Master Servicer or any director or officer of the Master Servicer ; and
 - (g) following a termination of the Sub-Servicer under the Sub-Servicing Agreement, a replacement Sub-Servicer has not been appointed within 3 months of such termination.

See the section entitled "*Summary of the Key Transaction Documents – The Master Servicing Agreement*" for further details.

Sub-Servicer Termination Events:

If a Sub-Servicer Termination Event occurs, then the Master Servicer may, with the consent of the Security Trustee, or, if so instructed by the Security Trustee, shall, by notice in writing to the Sub-Servicer terminate the appointment of the Sub-Servicer (including in its capacity as the custodian of the Mortgage Certificates (the "**Custodian**")) under the Sub-Servicing Agreement with effect from a date (not earlier than the date of the notice) specified in the notice.

The occurrence of any of the following events shall constitute a "**Sub-**

Servicer Termination Event":

- (a) A non-payment by the Sub-Servicer with respect to any sums owed by it under the Sub-Servicing Agreement which is not remedied within 8 Business Days;
- (b) Misrepresentation: any representation, warranty or statement which is made (or deemed or acknowledged to have been made) by the Sub-Servicer in the Sub-Servicing Agreement or which is contained in any certificate, statement, legal opinion (if any) or notice provided under or in connection with the Sub-Servicing Agreement proves to be incorrect in any material respect, or if repeated at any time with reference to the facts and circumstances subsisting at such time would not be accurate in all material respects unless, if curable, cured to the satisfaction of the Master Servicer within fifteen (15) Business Days of notification to the Master Servicer;
- (c) Material adverse change and cessation of business:
 - (i) any event (other than Sub-Servicer Termination Events mentioned elsewhere) or series of events (whether related or not) occurs which in the reasonable opinion of the Master Servicer will have a material adverse effect on the ability of the Sub-Servicer to perform its obligations under the Sub-Servicing Agreement; or
 - (ii) the Sub-Servicer changes materially or announces plans to change materially the nature of its business, in particular by complete termination or termination of a material part of its business, suspends or threatens to suspend a substantial part of the present business operations which it now conducts directly or indirectly, disposes of or threatens to dispose of a substantial part of its assets or has all or a material part of its assets expropriated or under threat of expropriation, in each case, where such event, in the opinion of the Master Servicer, materially prejudices the ability of the Sub-Servicer to observe or perform its core obligations under the Sub-Servicing Agreement as described by the procedures scheduled to the Sub Servicing Agreement (as amended, supplemented or otherwise modified from time to time) (the "**Credit and Collection Procedures**") or collection of the Mortgage Loans;
- (d) Breach of obligations: the Sub-Servicer fails to observe or perform any of its obligations under the Sub-Servicing Agreement by a wilful act or with gross negligence, and, in the case of gross negligence, such failure (if capable of remedy before the expiry of such period) continues unremedied for a period of twenty (20) Business Days from the date the Sub-Servicer has received the notice of the Master

Servicer requiring the same to be remedied. In any other case of a failure to observe or perform any of its obligations under the Sub-Servicing Agreement the Master Servicer shall be entitled to terminate the Sub-Servicing Agreement for good cause (*aus wichtigem Grund*) in accordance with Section 314 of the German Civil Code (*Bürgerliches Gesetzbuch*);

- (e) Invalidity: any material provision of any of the Sub-Servicing Agreement is or becomes, for any reason, invalid or unenforceable and the Master Servicer or the Issuer would, in the opinion of the Master Servicer, be prejudiced by such provision being or becoming invalid or unenforceable and negotiations between the Master Servicer and the Sub-Servicer about changes to the Sub-Servicing Agreement have failed;
- (f) Insolvency: the Sub-Servicer is or becomes or is declared to be insolvent (including bankruptcy and suspension of payments) or is or becomes unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether of principal or interest) with respect to all or any class of its debts;
- (g) Winding up, administration: a petition (other than a petition which is dismissed or stayed within thirty (30) days of being instituted) is presented or a meeting is convened for the purpose of considering a resolution or other preparatory steps are taken or legal proceedings are commenced for the liquidation, dissolution, administration or reorganisation of the Sub-Servicer (other than for the purposes of a solvent reconstruction or amalgamation on such terms and within such period as may previously have been approved in writing by the Master Servicer);
- (h) Analogous proceedings: an event analogous to any of the events specified in paragraphs (e) or (f) occurs under the laws of any relevant jurisdiction;
- (i) Illegality: it becomes impossible or unlawful for the Sub-Servicer to continue its business and/or discharge its obligations as contemplated by the Sub-Servicing Agreement or the Sub-Servicer no longer holds the relevant regulatory approvals and licenses to perform its servicing obligations and as a result, in the reasonable opinion of the Master Servicer, there is, or is likely to be, a material adverse effect on the ability of the Sub-Servicer to perform their respective obligations under the Mortgage Sale Agreement or the enforceability or collectability of the Mortgage Loans is or is likely to be materially prejudiced.

See the section entitled "*Summary of the Key Transaction Documents –The Master Servicing Agreement and the Sub-Servicing Agreement*" for further details.

TRANSACTION OVERVIEW – FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Master Servicing Fee.	<p>The Master Servicing Fee payable by the Issuer to the Master Servicer on each Interest Payment Date, subject to there being sufficient Available Revenue Receipts and/or Available Principal Receipts and payable in accordance with the applicable Priority of Payment, being:</p> <p>(i) the Senior Master Servicing Fee being the sum of (in each case exclusive of VAT):</p> <p style="margin-left: 20px;">(A) an amount equal to €30,000 (per annum); and</p> <p style="margin-left: 20px;">(B) the "Sub-Servicing Component of the Senior Master Servicing Fee". The Sub-Servicing Component of the Senior Master Servicing Fee is equal to the "Sub-Servicer Fee" payable by Macquarie Bank Limited, London Branch to the Sub-Servicer pursuant to the "Sub-Servicer Fee Schedule" under the Sub-Servicing Agreement in consideration for the provision of the Sub-Services by the Sub-Servicer to the Master Servicer (the</p>	<p>The Senior Master Servicing Fee is paid ahead of all outstanding Notes and Residual Certificates. The Junior Master Servicing Fee is paid after all outstanding Notes but ahead of the Residual Certificates.</p>	<p>Quarterly in arrears on each Interest Payment Date.</p>

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
	<p data-bbox="582 280 837 2060"> Sub-Servicer Fee consists of a base management fee of 16.5bps on the Outstanding Principal Balance of the performing loans and gross cash collection fees of 6% for freehand sales and 5% for foreclosures on the non-performing loans, plus a standard monthly reporting fee of €2,000 per month plus additional fees for additional services provided by the Sub-Servicer to the Master Servicer and, in the event of an ordinary termination of the Sub-Servicer by the Master Servicer (which termination requires the consent of the Security Trustee), a termination fee in the amount equal to four months of the base management fee plus a compensation in the amount of 2% of the net present value of the net collections of the Non-Performing Loan Receivables; in the case of Deficiency Claims, the Sub-Servicer receives a monthly realisation fee at a rate of 20% of the debt collection cash-flows received by the Issuer in the relevant month) </p>		

Type of Fee	Amount of Fee (exclusive of VAT); and	Priority in Cashflow	Frequency
	(ii) the Junior Master Servicing Fee equal to €30,000 per annum (exclusive of VAT).		
Cash Manager fees.	The fees payable by the Issuer on each Interest Payment Date, subject to there being sufficient Available Revenue Receipts and/or Available Principal Receipts and payable in accordance with the applicable Priority of Payment, being €7,500 per annum (exclusive of VAT).	Ahead of all outstanding Notes and Residual Certificates.	Quarterly in arrears on each Interest Payment Date.
Other fees and expenses of the Issuer (including tax and audit costs).	Estimated at €125,500 per annum (exclusive of VAT, where so provided in the relevant Transaction Document or otherwise payable by the Issuer).	Ahead of all outstanding Notes and Residual Certificates.	Quarterly in arrears on each Interest Payment Date.
Expenses related to the admission to trading of the Notes.	Estimated at €10,491.20 (inclusive of VAT).	Ahead of all outstanding Notes and Residual Certificates.	On or about the Closing Date.

As at the date of this Prospectus, the standard rate of UK VAT is 20% and the standard rate of German VAT is 19%.

"VAT" means (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and (b) or any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (a) above, or imposed elsewhere.

EU RISK RETENTION REQUIREMENTS

The Retention Holder, as an originator for the purposes of the CRR, the AIFM Regulation and the Solvency II Regulation, will retain a material net economic interest of not less than 5% in the securitisation in accordance with the text of each of Article 405 of the Capital Requirements Regulation and Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (which, in each case, does not take into account any corresponding national measures). The Retention Holder shall maintain an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, represented in this case by the retention by the Retention Holder of the Class F Notes and the Subordinated Notes, as required by the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation. The Principal Amount Outstanding of the Class F Notes and the Subordinated Notes are equal to 5% of the material net economic interest in the securitisation. Such retention will represent downside risk and economic outlay to the Retention Holder. Any change in the manner in which the interest is held will be notified to the Noteholders.

The Seller was incorporated on 13 December 2012 and was subsequently acquired by Macquarie Investments UK Limited (which was itself at that time, and remains, a wholly owned subsidiary of the Retention Holder) on 13 December 2012. On 26 August 2014, the Seller acquired the Portfolio. From December 2012 until 28 May 2015, the Seller was a wholly owned subsidiary of Macquarie Investments UK Limited. On 28 May 2015, the Retention Holder directly acquired all of the shares in the Seller from Macquarie Investments UK Limited. As such, the Retention Holder (acting through its subsidiary, the Seller (being the direct wholly owned subsidiary of the Retention Holder from 28 May 2015)) acquired the Portfolio for its own account on 28 May 2015.

As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Prospectus and to any other information provided separately (which information shall not form part of this Prospectus) and, after the Closing Date, to the quarterly investor reports provided to the Noteholders pursuant to the Cash Management Agreement and published on the following website: <https://sf.citidirect.com>. The website at <https://sf.citidirect.com> and the contents thereof do not form part of this Prospectus.

The Retention Holder will undertake to the Issuer and the Security Trustee in the Mortgage Sale Agreement to:

- (a) retain, on an on-going basis, a material net economic interest of not less than 5% in the securitisation established in accordance with the Transaction Documents for the purposes of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (or the corresponding law or rules of any applicable jurisdiction) (the "**Minimum Required Interest**");
- (b) retain the Minimum Required Interest by holding an exposure in the first loss tranche in the securitisation in accordance with each of paragraph (d) of Article 405(1) of the CRR, and paragraph (d) of Article 51(1) of the AIFM Regulation and Article 254 of the Solvency II Regulation, represented by the Class F Notes and the Subordinated Notes;
- (c) not change the manner in which it retains the Minimum Required Interest, except as permitted under the CRR, AIFMR or Solvency II;
- (d) not enter into any credit risk mitigation, short position or any other credit risk hedge with respect to such net economic interest, except to the extent permitted under the CRR, AIFMR or Solvency II;
- (e) comply with the disclosure obligations imposed on sponsors and originator credit institutions under Article 409 of the CRR by confirming the Retention Holder's risk retention as contemplated by Article 405 of the CRR through the provision of the information in this Prospectus, disclosure in the quarterly investor reports (as prepared by the Cash Manager) and procuring provision to the Joint

Lead Managers and the Arranger and the Issuer of access to any reasonable and relevant additional data and information referred to in Article 409 of the CRR, subject always to any requirement of law, provided that the Retention Holder will not be in breach of this paragraph (e) if it fails to so comply due to events, actions or circumstances beyond its control; and

- (f) immediately notify the Issuer, the Arranger, the Joint Lead Managers and the Security Trustee in writing if for any reason it fails to comply with the undertakings set out in paragraphs (a) to (e) above in any way,

such undertaking, the "**Risk Retention Undertaking**".

The Retention Holder will make a similar undertaking to the Arranger and the Joint Lead Managers in the Subscription Agreement.

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

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with each of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51), Chapter VIII of Title I of the Solvency II Regulation (including Article 254) and any relevant national measures which may be relevant and none of the Issuer, the Retention Holder, the Seller, the Cash Manager, the Servicer, the Sub-Servicer, the Swap Replacement Facilitator, the Back-up Servicing Facilitator, the Note Trustee, the Security Trustee, the Arranger or the Joint Lead Managers or any other Relevant Party (i) makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes, (ii) should have any liability to any prospective investor or any other person for any insufficiency of such information or any failure of the transactions contemplated herein to comply with or otherwise satisfy the requirements of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of the Solvency II Regulation or any other applicable legal, regulatory or other requirements, or (iii) shall have any obligation (other than the obligations in respect of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of the Solvency II Regulation undertaken by the Retention Holder and the Seller in the Mortgage Sale Agreement) to enable compliance with the requirements of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of Title I of the Solvency II Regulation or any other applicable legal, regulatory or other requirements. For further information please refer to the Risk Factor entitled "*Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes*" and the section entitled "*The Mortgage Loans*".

WEIGHTED AVERAGE LIVES OF THE NOTES

The term "**weighted average life**" refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the relevant investor of amounts sufficient to fully repay principal in respect of such security (assuming no losses on the Mortgage Loans and weighted by the principal amortisation of the Notes on each Interest Payment Date). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of repayment of the Mortgage Loans in the Portfolio. In addition the weighted average lives of the Notes, should they not be called on the Optional Redemption Date, will be influenced by, inter alia, the amount of Available Revenue Receipts.

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

The following tables were prepared based on the characteristics of the loans included in the Provisional Portfolio, the provisions of the Conditions and Residual Certificates Conditions (as applicable), and the following additional assumptions (the "**Modelling Assumptions**"):

- (a) no Mortgage Loan becomes delinquent or is enforced so long as the Notes remain outstanding;
- (b) there is no debit balance on the PDL on any Interest Payment Date;
- (c) other than in the scenarios where it is assumed that the Notes are redeemed on the Optional Redemption Date (by virtue of the Refinancing Option), no Mortgage Loan is in breach of a Loan Warranty;
- (d) the Notes are issued on 17 July 2015 and all payments on the Notes are received on an Interest Payment Date being the 27th day of January, April, July and October in each year irrespective of whether such day is a business day, with the first Interest Payment Date falling in October 2015;
- (e) 3-month EURIBOR is equal to 0.00%;
- (f) each Borrower which rejects a prolongation offer prepays on the respective Reset Date; and each Borrower which accepts a prolongation does so effective as of the respective Reset Date, where "**Reset Date**" means the date on which the Borrowers are able to prepay (for no penalty) and on which a new rate is offered to the Borrower;
- (g) each prolongation offer will be made for 5 years and will offer the Borrower a fixed rate of 4.20% p.a.;
- (h) no Enforcement Notice has been served and no occurrence of an Event of Default;
- (i) the aggregate amount paid per annum in respect of items (a) and (b) of the Pre-Enforcement Revenue Priority of Payments does not exceed €525,000 (plus any applicable VAT);
- (j) the rate of interest earned on the Issuer Account is equal to negative 0.10%;
- (k) with respect to Mortgage Loans, each month consists of 30 calendar days and each year of 360 days, and with respect to the Notes, each month consists of the actual number of days in the relevant month and 360 days in the relevant year;

- (l) the initial consideration paid on the Closing Date by the Issuer for the Portfolio is €184,760,000.00; and
- (m) the Initial Principal Amount Outstanding of the Class A Notes is €138,570,000.00; the Initial Principal Amount Outstanding of the Class B Notes is €19,220,000.00; the Initial Principal Amount Outstanding of the Class C Notes is €7,390,000,000.00; the Initial Principal Amount Outstanding of the Class D Notes is €5,360,000.00; and the Initial Principal Amount Outstanding of the Class E Notes is €6,100,000.00.

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

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

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

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

Refinance at Optional Redemption Date

% of Mortgage Loans repaying at Reset Date	0%			40%			70%		
	CPR	pre-Reset Date		0%	2%	4%	0%	2%	4%
Class A Notes	4.47	4.06	3.68	3.10	2.82	2.56	2.06	1.91	1.83
Class B Notes	5.03	5.03	5.03	5.03	5.03	5.03	5.03	4.88	4.38
Class C Notes	5.03	5.03	5.03	5.03	5.03	5.03	5.03	5.03	5.03
Class D Notes	5.03	5.03	5.03	5.03	5.03	5.03	5.03	5.03	5.03
Class E Notes	5.03	5.03	5.03	5.03	5.03	5.03	5.03	5.03	5.03
Class F Notes	5.03	5.03	5.03	5.03	5.03	5.03	5.03	4.88	4.61
Subordinated Notes	5.03	5.03	5.03	5.03	5.03	5.03	5.03	4.88	4.61

Exercise of 10% Clean-up Call

% of Mortgage Loans repaying at Reset Date	0%			40%			70%		
	CPR	pre-Reset Date		0%	2%	4%	0%	2%	4%
Class A Notes	11.15	6.89	4.89	4.96	3.39	2.72	2.08	1.91	1.83
Class B Notes	22.24	17.22	12.81	18.70	12.66	9.16	9.47	6.42	4.94
Class C Notes	23.87	20.32	15.74	21.92	16.61	12.38	15.66	10.71	7.79
Class D Notes	24.63	21.82	17.61	23.16	19.00	14.43	19.26	13.13	10.19
Class E Notes	25.03	22.28	18.53	23.78	20.03	15.53	20.78	14.78	11.53
Class F Notes	23.23	19.09	14.79	20.54	15.26	11.36	13.52	9.26	7.08
Subordinated Notes	23.23	19.09	14.79	20.54	15.26	11.36	13.52	9.26	7.08

No Early Redemption

% of Mortgage Loans repaying at Reset Date	0%			40%			70%		
	CPR	pre-Reset Date		0%	2%	4%	0%	2%	4%
Class A Notes	11.15	6.89	4.89	4.96	3.39	2.72	2.08	1.91	1.83
Class B Notes	22.24	17.22	12.81	18.70	12.66	9.16	9.47	6.42	4.94
Class C Notes	23.87	20.32	15.74	21.92	16.61	12.38	15.66	10.71	7.79
Class D Notes	24.63	21.82	17.61	23.16	19.00	14.43	19.26	13.13	10.19
Class E Notes	25.40	23.17	19.79	24.37	21.29	16.95	21.92	16.67	12.63
Class F Notes	23.29	19.23	14.98	20.63	15.45	11.57	13.69	9.55	7.25
Subordinated Notes	23.29	19.23	14.98	20.63	15.45	11.57	13.69	9.55	7.25

For more information in relation to the risks involved in the use of the average lives estimated above, see "Risk Factors – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption" above.

USE OF PROCEEDS

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

On the Closing Date, the Issuer will use the gross proceeds of the Subordinated Notes to establish the Rated Note Reserve Fund and will partially fund that Rated Note Reserve Fund by crediting €1,770,000 (being 1.0% of the Principal Amount Outstanding of the Rated Notes as at the Closing Date) towards the Rated Noted Reserve Fund Required Amount and pay certain initial expenses of the Issuer.

On any Optional Refinancing Date, the Issuer will apply the proceeds of the issuance of any Refinancing Notes to effect a redemption in full of the Notes of each Class.

RATINGS

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

Class of Notes	Moody's	DBRS
Class A Notes	Aaa(sf)	AAA(sf)
Class B Notes	Aa1(sf)	AA(sf)
Class C Notes	A2(sf)	A(sf)
Class D Notes	Baa3(sf)	BBB(sf)
Class E Notes	Ba1(sf)	BB(sf)
Class F Notes	Not rated	Not rated
Subordinated Notes	Not rated	Not rated

The ratings assigned to the Rated Notes address, *inter alia*:

- (a) the likelihood of full and timely payment to all Rated Noteholders of all payments of interest on each Interest Payment Date; and
- (b) the likelihood of ultimate payment to all Rated Noteholders of principal in relation to the Rated Notes on or prior to the Final Maturity Date.

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the EU and is registered under the CRA Regulation.

THE ISSUER

Introduction

The Issuer was incorporated under the laws of England and Wales on 14 April 2015 (registered number 9541195) as a public limited company under the Companies Act 2006. The registered office of the Issuer is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0)20 7398 6382. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each of which one share is fully-paid up and 49,999 shares are quarter-paid and all shares are held by Holdings (see "*Holdings*" below).

The Issuer has no Subsidiaries and does not control, directly or indirectly, any other company. The Seller and the Retention Holder do not own directly or indirectly any of the share capital of Holdings or the Issuer.

The Issuer was established as a special purpose vehicle solely for the purpose of issuing asset backed notes. The Issuer is permitted, pursuant to the terms of its articles of association, inter alia, to issue the Notes and the Residual Certificates. The Issuer will covenant to observe certain restrictions on its activities which are set out in Condition 5(b) and Residual Certificates Condition 5(b).

Under the Companies Act 2006 (as amended), the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer certain directors, a registered and administrative office, the arrangement of meetings of directors and shareholders and procure the service of a company secretary. No remuneration is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public limited company under the Companies Act 2006 (as amended) and to the proposed issues of the Notes and Residual Certificates and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party, and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, has made a notification under the Data Protection Act 1998. As at the date of this Prospectus, statutory accounts have not yet been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 March and the first statutory accounts of the Issuer will be drawn up to 31 March 2016.

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

Directors

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

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

Name	Business Address	Business Occupation
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director

The directors of SFM Directors Limited and SFM Directors (No.2) Limited and their principal activities are as follows:

Name	Business Address	Principal Activities
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Director
Robert William Berry	35 Great St. Helen's, London EC3A 6AP	Director
John Paul Nowacki	35 Great St. Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Michael Drew	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Jennifer Jones	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Aline Sternberg	35 Great St. Helen's, London EC3A 6AP	Company Secretary

The company secretary of the Issuer is SFM Corporate Services Limited whose principal office is at 35 Great St. Helen's, London EC3A 6AP.

The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus.

HOLDINGS

Introduction

Holdings was incorporated under the laws of England and Wales on 14 April 2015 (registered number 9541115) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The issued share capital of Holdings comprises one ordinary share of £1. SFM Corporate Services Limited (the "**Share Trustee**") holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

Neither the Seller, the Retention Holder nor any company connected with the Seller or the Retention Holder can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer. Holdings does not have any control, direct or indirect, of any company other than the Issuer.

Pursuant to the terms of its articles of association, Holdings is permitted, inter alia, to hold shares in the Issuer.

Holdings has not engaged since its incorporation in any material activities other than those activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party, and other matters which are incidental or ancillary to the foregoing.

Directors

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

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

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Director
Robert William Berry	35 Great St. Helen's, London EC3A 6AP	Director
John Paul Nowacki	35 Great St. Helen's, London EC3A 6AP	Director

Name	Business Address	Principal Activities
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Michael Drew	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Jennifer Jones	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Aline Sternberg	35 Great St. Helen's, London EC3A 6AP	Company Secretary

The company secretary of Holdings is SFM Corporate Services Limited whose principal office is at 35 Great St. Helen's, London EC3A 6AP.

The accounting reference date of Holdings is 31 March and the first statutory accounts of Holdings will be drawn up to 31 March 2016.

Holdings has no employees.

THE SELLER AND THE MASTER SERVICER

L2 B.V. (the "**Seller**" and the "**Master Servicer**") is a private limited company incorporated in The Netherlands on 13 December 2012 (registration number 56649800) and was acquired by Macquarie Investments UK Limited (who is itself a wholly owned subsidiary of the Retention Holder) on 13 December 2012. On 26 August 2014, the Seller (and the Master Servicer) acquired the Portfolio. From 13 December 2012 until 28 May 2015, the Seller was a wholly owned subsidiary of Macquarie Investments UK Limited. On 28 May 2015, all of the shares in the Seller (and the Master Servicer) were transferred by Macquarie Investments UK Limited to the Retention Holder.

The registered office of the Seller (and the Master Servicer) is 28 Ropemaker Street, Ropemaker Place, London, United Kingdom, EC2Y 9HD.

THE RETENTION HOLDER, THE REFINANCING FACILITATOR, THE SWAP PROVIDER, THE SWAP REPLACEMENT FACILITATOR AND THE BACK-UP SERVICING FACILITATOR

Macquarie Bank Limited, London Branch (the "**Retention Holder**", the "**Refinancing Agent**", the "**Swap Provider**", the "**Swap Replacement Facilitator**" and the "**Back-up Servicing Facilitator**") is a public limited company incorporated in Australia (registered in England with a foreign company number FC018220 and branch number BR002678) with its registered office at Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD. Macquarie Bank Limited, London Branch is the sole shareholder of the Seller and will be the guarantor of the loan repurchase and certain indemnity payment obligations of the Seller under the Mortgage Sale Agreement.

The Retention Holder holds a number of different assets and investments.

Macquarie Bank Limited is the holding company of the Seller. Macquarie Bank Limited's ordinary shares were listed on the Australian Securities Exchange ("**ASX**") on 29 July 1996 until the corporate restructuring of Macquarie Group in November 2007. As part of the restructure, Macquarie Bank Limited became an indirect subsidiary of Macquarie Group Limited (together with all its subsidiaries, the "**Macquarie Group**"). Macquarie Group is a global provider of banking, financial, advisory, investment and funds management services. Macquarie's main business focus is making returns by providing a diversified range of services to clients.

As at 31 March 2015 Macquarie Group employed over 14,000 people located in 28 countries. As of 31 March 2015 Macquarie Group Limited had \$A2.7 billion in surplus regulatory capital on an APRA Basel III basis. As at 31 March 2015, Macquarie Bank Limited had a Harmonised Basel III Common Equity Tier 1 ratio of 11.4%. Macquarie Bank Limited is currently rated, short term, "A-1" by Standard & Poor's, "F1" by Fitch Ratings and "P-1" by Moody's and, long term, "A" by Standard & Poor's, "A" by Fitch Ratings and "A2" by Moody's.

The activities of Macquarie Group Limited and Macquarie Bank Limited come under the regulatory supervision of the Australian Prudential Regulation Authority ("**APRA**"), which is the prudential regulator of the Australian financial services industry.

The Retention Holder has given certain undertakings in relation to its obligation to hold the Minimum Required Interest, which are set out in the section headed "*EU Risk Retention Requirements*".

It is noted that while the Refinancing Facilitator has agreed to consult with the Issuer and provide certain marketing activities in respect of any Refinancing Notes proposed to be issued by the Issuer (at its discretion), the Refinancing Facilitator will not be, for legal and regulatory reasons, the initial or ultimate purchaser of the such Refinancing Notes and will not be under any contractual obligation in such respect.

THE SUB-SERVICER

Servicing Advisors Deutschland GmbH is part of the German Immofoori group of companies, the largest independent, special & primary loan servicer for German mortgage portfolios. The company was established in 2005 and operates from offices in Frankfurt, Cologne and Hamburg. Servicing Advisors Deutschland GmbH provides its services to banks, financial institutions and investors in the German mortgage market. Besides the traditional servicing of performing and non-performing loans (integrated primary & special servicing) the product range covers all services around the company's strong expertise in real estate and mortgage portfolio transactions.

Servicing Advisors Deutschland GmbH has its registered office in Frankfurt and is registered with the commercial register at the local court (*Amtsgericht*) Frankfurt am Main under HRB 73137. The managing director of Servicing Advisors Deutschland GmbH is Eckhard Blauhut. Servicing Advisors Deutschland GmbH is registered to perform collection services under the German Legal Services Act (*Rechtsdienstleistungsgesetz*) with the Higher Regional Court (*Oberlandesgericht*) of Frankfurt am Main.

THE CASH MANAGER AND THE ISSUER ACCOUNT BANK

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

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

THE NOTE TRUSTEE AND SECURITY TRUSTEE

Citicorp Trustee Company Limited ("CTCL") was incorporated on 24 December 1928 under the laws of England and Wales and has its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, with a company number 235914.

CTCL is an indirect wholly owned subsidiary of Citigroup Inc., a diversified global financial services holding company incorporated in Delaware.

CTCL is regulated by the UK's Financial Conduct Authority.

THE ORIGINATOR

The information in this section has been obtained from the prospectus for EMAC DE 2009-1 B.V. (the E-MAC Issuer) dated 13 January 2010 and has not been verified or updated by the Issuer, the Originator, the Seller or the Retention Holder, the Arranger or the Joint Lead Managers (or any of their respective affiliates) and no assurance can be given as to the Originator's current corporate status.

The Originator

Paratus AMC GmbH (in its capacity as "**Originator**"), formerly registered as GMAC-RFC Servicing GmbH and, before that, as GMAC-RFC Bank GmbH, is a private limited liability company (*Gesellschaft mit beschränkter Haftung*). It was incorporated in Germany on 23 April 2001 under the name DFH AG, which subsequently changed its name to DFH Eigenheimbank AG. Effective as of 19 December 2003, DFH Eigenheimbank AG was transformed from a private stock corporation into a private limited liability company, named DFH Eigenheimbank GmbH.

DFH Eigenheimbank GmbH was acquired by GMAC-RFC Deutschland GmbH, an indirect wholly owned subsidiary of Residential Capital, LLC. Residential Capital, LLC is an indirect wholly owned subsidiary of GMAC Inc. After the closing of the acquisition on 5 January 2004, the bank changed its name to GMAC, transferred its registered seat from Saarbrücken to Wiesbaden and changed its name again, on 5 November 2008 RFC Bank GmbH to GMAC-RFC Servicing GmbH. GMAC Inc. is owned by U.S. Treasury (holding 36.36% of shares in GMAC Inc.), affiliates of Cerberus Capital Management, L.P. (including FIM Holdings LLC, FIM CB Holdings LLC and Aozora GMAC Investment LLC, together holding 22.02% of shares in GMAC Inc.), GM Common Equity Trust (holding 14.60% of shares in GMAC Inc.), GM Finance Co. Holdings LLC (holding 9.90% of the shares in GMAC Inc.) and various investors as a result of distribution by FIM Holding LLC (holding 18.12% of shares in GMAC Inc.).

Paratus AMC GmbH's primary business in its former capacity as licensed credit institution and under its previous company name "GMAC-RFC Bank GmbH" was to originate mortgage loans to borrowers in Germany through intermediaries and other financial institutions. In its former capacity as bank, Paratus AMC GmbH was subject to the supervision of the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

Paratus AMC GmbH's primary business is to provide services for the mortgage loans which GMAC-RFC Servicing GmbH granted in its former capacity and under the name GMAC-RFC Bank GmbH, such as the administration and the settlement of these loans.

The office of Paratus AMC GmbH is at Hohenstaufenstraße 7, 65189 Wiesbaden, Germany. It is registered with the commercial register Wiesbaden under the number 13464.

THE CORPORATE SERVICES PROVIDER

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

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

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Security Trustee and each other party to the Corporate Services Agreement, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Issuer (with prior written consent of the Security Trustee) and, following delivery of an Enforcement Notice, the Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice to the Corporate Services Provider (with a copy of such notice to the Issuer).

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee (with a copy of such notice to the Issuer and the Master Servicer) or the Issuer (with a copy of such notice to the Security Trustee and the Master Servicer), if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency-related events occur in relation to the Corporate Services Provider.

THE MORTGAGE LOANS

The information in this section has been obtained from the prospectus for EMAC DE 2009-1 B.V. (the E-MAC Issuer) dated 13 January 2010 and has not been verified or updated by the Issuer, the Originator, the Seller, the Retention Holder, the Arranger or the Joint Lead Managers (or any of their respective affiliates) and no assurance can be given as to the Originator's current corporate status.

Types of Mortgage Loans

The Mortgage Loans consist mainly of annuity mortgage loans. There are two other redemption types:

- (a) The borrower has the possibility to choose to redeem the loan by entering into a savings scheme or building up capital via a life insurance policy or from an old age pension insurance (*Rentenversicherung*); and
- (b) Interest-only Mortgage Loans.

Characteristics of the Mortgage Loans

The Mortgage Loans have different repayment methods as described below. Prepayment of principal is possible, subject, in certain circumstances, to a prepayment penalty. The Mortgage Loans are governed by German law.

Annuity Mortgage Loans

Under an annuity mortgage loan, the Borrower pays a constant total monthly payment, made up of an initially high and subsequently decreasing interest portion and an initially low and subsequently increasing principal portion. The first annuity payment is calculated from the contractual interest and redemption rate. After the first interest period the redemption rate is chosen such that the Mortgage Loan is repaid in full not later than as if the Mortgage Loan had started repaying 1% per annum from the origination date.

Mortgage Loans opting for the choice of building up capital

Under the Mortgage Loans that build up capital via a Savings Scheme or a Life Insurance Policy, no principal is scheduled to be repaid prior to maturity. Until maturity, the Borrower is only required to pay interest in connection with the Mortgage Loan. Instead, moneys are invested in order to build up capital, either under a combined risk and capital insurance policy or outside an insurance policy (as further described below) and the rights to receive the proceeds of the Savings Scheme or, as the case may be, the life insurance proceeds are assigned to the Originator. In all cases, the provider of the Life Insurance Policy or the Savings Scheme is a third party and is not related to the Originator. Accordingly, the Borrower will not be entitled to set off amounts due and payable under the Mortgage Loans against payment claims resulting from a Life Insurance Policy or a Savings Scheme. Although the proceeds of the Savings Scheme or the Life Insurance Policy will be utilised to repay the Mortgage Loan, to the extent that such proceeds are insufficient to discharge all amounts owed under the Mortgage Loan, the Borrower remains liable for the repayment of the Mortgage Loan.

Life Insurance Policy

The Mortgage Loans which redeem with capital from a Life Insurance Policy are, and the other Mortgage Loans may be, connected to a Life Insurance Policy. Mortgage Loans which redeem with capital from a Life Insurance Policy are connected to a combined risk and capital insurance policy. The other Mortgage Loans are not connected to a combined risk and capital insurance policy. They may, however, be connected to a Risk Insurance Policy. See "*Risk Insurance Policy*" below.

Pursuant to the Mortgage Conditions, the Purchased Loan Receivable becomes due and payable if the Borrower fails to perform in timely fashion any (payment) obligations under a connected Life Insurance Policy.

Interest-only Mortgage Loans

For a maximum period of the first interest period (maximum of 10 years) the customer can choose only to pay interest for the part of the Mortgage Loan up to 80% of the Lending Value.

After the first interest period the redemption rate is chosen such that the Mortgage Loan is repaid in full not later than as if the Mortgage Loan had started repaying 1% per annum from the origination date.

Interest Payments/Interest Rate Setting

All Mortgage Loans carry a fixed rate of interest for a certain set interest period (*Zinsfestschreibung*). At the end of an interest period, the interest rate will be reset, unless the relevant Borrower redeems the Mortgage Loans. In general, the terms of the Mortgage Loans stipulate fixed rate of interest for periods of 5, 8, 10, 15 or 20 years (without affecting the Borrower's right to terminate the Mortgage Loan after a reset period of 10 years).

Prepayment

Prepayment of principal is possible in certain circumstances, subject to a prepayment penalty. However, the Borrower has the possibility to repay, without prepayment penalty, 5% per annum of the outstanding amount of the Mortgage Loan as of thirty-first (31st) December of the year preceding such year in which prepayment is made. For redemptions above 5% the Borrower has to make whole the Lender if there is an income loss.

Valuation

Properties relating to Mortgage Loans are valued. Any valuation takes place on or immediately prior to the credit decision, and in any event prior to the first disbursement of an advance, in respect of Mortgage Loans. The valuation type is determined according to the following table:

<i>Loan in % of the Lending Value</i>	<i>Loan amount in Euro</i>		<i>Drive-by</i>	<i>Desktop Valuation Report by GMAC-RFC underwriter and an inspection report by an appraiser of GMAC-RFC</i>	<i>Valuation report prepared by an independent qualified appraiser</i>
	<i>From</i>	<i>To</i>			
>0%	>0	<500.000			
	>500.000	No limit	X		
>60%	>0		X		
	>500.000	No limit		X	
>80%	>0			X	
	>300.000	No limit			X

For drive bys and the valuation reports created by appraisers of GMAC-RFC Servicing GmbH the following companies were hired:

Company/Type of property	Aufina/ERA HW Haus & Wert GmbH	HSG Technischer Service GmbH
Existing buildings	X	X
Construction Progress (<i>Baufortschritt</i>)		X
Modernisation (<i>Modernisierung</i>)		X
Additions (<i>Anbauten</i>)		X
Alterations (<i>Umbauten</i>)		X

For loans equal to or above €300,000 and an LTV Ratio of equal to or above 80%, the prospective Borrower had to pay for the valuation report. In such cases the prospective Borrower could choose a qualified independent appraiser.

Drive-by Valuation

In a drive-by valuation report the following information was recorded:

- (a) Location of the property
- (b) Infrastructure
 - (i) Accessibility by public transport
 - (ii) Distance to shops
 - (iii) Availability of schools etc.
- (c) Properties in the neighbourhood
 - (i) Type of properties in the neighbourhood
 - (ii) Industry around the property
 - (iii) Possible disturbance due to noise or gas emissions
- (d) Information on the property itself
 - (i) Number of floors
 - (ii) Number of units (in the case of a condominium)
 - (iii) Building year
 - (iv) Façade
 - (v) Roof
 - (vi) Windows
 - (vii) Car parking facilities

In an inspection report the following items were added to the drive-by report:

- (a) Condition of the property

- (i) Kitchen
 - (ii) Bathroom
 - (iii) Heating
 - (iv) Carpet
- (b) Statement of the appraiser on the condition of the property (from very good to very bad).

Valuation report

A valuation report contains the same items as an inspection report. Extra items are price measures. The price of the property needs to be compared to market-relevant measures such as average price per square metre for that type of property in that region.

For all types of valuations photos have been taken and added to the report.

Risk Insurance Policy

A Borrower was required to take out a Risk Insurance Policy in respect of Mortgage Loans to the extent that (i) the Borrower was older than 50 years of age and (ii) the **Outstanding Principal Amount** of the Mortgage Loan exceeded an amount equal to 75 per cent. of the Lending Value of the mortgaged property.

National Credit Register (*Schufa*)

A credit check was conducted for every prospective borrower with the Schufa. Financial commitments (e.g. banks, credit card companies, telephone companies, and leasing companies) that prospective borrowers have entered into with financial institutions and certain other types of businesses which are notified to Schufa are recorded in this register. The main data are the amount of the obligation, the start date and the maturity.

Data on missed payments will be recorded with the Schufa and be erased three years after the payments are made whole.

Lending Criteria

Minimum and Maximum Amounts

The minimum amount for a Mortgage Loan is €50,000. Mortgage Loans with an amount of more than €500,000 have been decided by senior underwriters or a managing director of GMAC-RFC Servicing GmbH.

Minimum and Maximum Term

The minimum term for a Mortgage Loan is five years. The maximum term including any extension is calculated on the basis of the applicable interest rate and (deemed) minimum redemption rate of 1% per annum.

The Originator originated two types of mortgage loans:

- 1) Standard product
- 2) Basic product

1) **Standard product**

The standard product was originated through the intermediary channel.

Creditworthiness and Affordability (Überschuss)

The creditworthiness and affordability was checked via the following steps (in addition to the *Schufa* inquiry, see above "*National Credit Register (Schufa)*"):

- (a) Borrowers must verify monthly income, living expenses and other financial obligations
- (b) Affordability is determined by a multiple of net income
- (c) Minimum monthly net income is €1,500
- (d) Personal consumer loans are capped at the lower of €20,000 or seven times monthly net income.

The following checks were conducted on the income of the prospective Borrower:

- (a) A check on the income of a prospective borrower who is an employee is generally conducted by requesting the borrower's last salary slip and a tax statement for the previous year
- (b) Any form of self-employed income is not accepted as income
- (c) Rental income has not been taken into account.

The Risk Insurance Policy described above was not applicable on standard products. Prospective borrowers aged 60 years or above got a maximum loan of 80% of Market Value and a minimum redemption percentage of 2% per annum.

Loan to Market Value Ratio

Mortgage Loans were granted up to a maximum Loan to Market Value Ratio of 110%, which relates to purchase price plus the cost of acquiring the property.

2) **Basic product**

The basic product was originated through the intermediary channel.

Creditworthiness and Affordability (Überschuss)

The creditworthiness and affordability was checked via the following steps (in addition to the *Schufa* inquiry, see above "*National Credit Register (Schufa)*"):

- (a) Borrowers must verify monthly income, living expenses and other financial obligations
- (b) Affordability is determined by calculation of an excess income (*Überschuss*)
- (c) Excess income is the monthly net income minus the cost of living (maximum of fixed minimum amounts or 30% of the income) minus monthly instalments on other financial obligations minus the monthly instalment on the prospective loan

The following checks were conducted on the income of the prospective Borrower:

- (a) A check on the income of a prospective Borrower who is an employee is generally conducted by requesting the Borrower's last three salary slips and a tax statement for the previous year

- (b) In respect of a self-employed applicant, creditworthiness is checked by the Originator's underwriters generally on the basis of annual accounts, including auditors' reports for the business over the past three years
- (c) A director or majority shareholder of a company (unless otherwise employed) is regarded as self-employed.

LTV Ratio

Mortgage Loans were granted up to a maximum LTV Ratio of 110%

The basis for calculating the LTV Ratio for Mortgage Loans is 100% of the market value.

The basis for calculating the LTV Ratio for Mortgage Loans on investment properties is 100% of the lowest value of:

- (a) the market value
- (b) a desktop valuation conducted by the Credit Department of GMAC-RFC Servicing GmbH
- (c) (if available) the value as stated in the valuation report (*Gutachterausschuss*).

When an official valuation report prepared by a certified and independent appraiser was available, the value as stated in this report was used to determine the LTV Ratio.

For both types the following general items were applicable.

Other Lending Criteria

Apart from the principal criteria already mentioned, the following criteria also apply to each Mortgage Loan: (i) mortgage loans were granted only to individuals, and (ii) if there was more than one borrower, there must be joint and several liability for the Purchased Loan Receivable.

Mortgage Pool

All of the Mortgage Loans forming the mortgage pool were originated by the Originator on or after October 2004. For a description of the representations and warranties given by the Seller with respect to the Mortgage Loans, see the section entitled "*Summary of the Key Transaction Documents – The Mortgage Sale Agreement*" for further details.

Definitions

As used in this section "*The Mortgage Loans*", the following terms have the following meanings:

"Lending Value" means, in each case, a percentage of the market value of the Mortgaged Property calculated on the basis of the valuation of such Mortgaged Property undertaken in accordance with the underwriting and origination guidelines of the Originator and, in particular, depending on the region where such Mortgaged Property is situated (West Germany or East Germany) and the occupancy of such Mortgaged Property; and

"Outstanding Principal Amount" means the principal balance of a Purchased Loan Receivable resulting from the Mortgage Loan at such time less the amount of the principal portion of Collections received by E-MAC DE 2009-I B.V. and applied to such principal balance of such Purchased Mortgage Receivable in accordance with the relevant underlying loan contract provided that Collections shall not be treated as received by E-MAC DE 2009-I B.V. until credited to any transaction account.

MORTGAGE LOAN UNDERWRITING AND ORIGINATION

The information in this section has been obtained from the prospectus for EMAC DE 2009-1 B.V. (the E-MAC Issuer) dated 13 January 2010 and has not been verified or updated by the Issuer, the Originator, the Seller, Retention Holder, the Arranger or the Joint Lead Managers (or any of their respective affiliates) and no assurance can be given as to the Originator's current corporate status.

Underwriting

The underwriting rules for mortgage loans originated by GMAC-RFC Servicing GmbH (the "**Originator**" or "**GMA3C-RFC Servicing GmbH**") allow for the evaluation of the Borrower's credit and the prospective property to be financed. The underwriting rules typically include, but are not limited to, the following aspects:

- (a) Standardised formulae for the calculation of the Borrower's income, expenses, and debt capacity
- (b) The Borrower's capacity to service the debt as evidenced by income documents
- (c) Standardised formulae for evaluating a property's value
- (d) Detailed requirements to evidence eligibility of the property
- (e) Procedures for establishing property value via reliable third-party sources and/or professional valuation practitioners
- (f) Procedures for evaluating additional collateral such as life insurance policies, cash funds, or securities.

The underwriting rules were embedded in proprietary tools, i.e. a loan calculator (a special software to achieve the results aimed for on the basis of the underwriting rules) created for the purpose not only of facilitating the credit decision but also to ensure the consistent and accurate implementation of the rules.

Origination Process: Pre-Qualification

GMAC-RFC Servicing GmbH encourages the pre-qualification of loans at source before actual submission to the Originator. A large portion of the Originator's loan applications underwent pre-qualification via two methods. For example, GMAC-RFC Servicing GmbH had a partnership with Europace, an open-market platform existing in the German marketplace. Europace electronically brings together lenders and introducers on a single platform. GMAC-RFC Servicing GmbH maintained its underwriting rules on Europace, allowing an introducer to check a loan against GMAC-RFC Servicing GmbH requirements. GMAC-RFC Servicing GmbH also maintained and distributed GMAC-RFC Professional (the "**GMAC-RFCPro**"), a proprietary off-line pre-qualification tool, used by introducers to qualify prospective borrowers. GMAC-RFCPro contained an up-to-date set of underwriting rules. The underwriting rules, and the software itself, were kept current via Internet-based updates from the GMAC-RFC download site. Other partners of GMAC-RFC Servicing GmbH used their own systems to pre-qualify the loans according to GMAC-RFC Servicing GmbH's rules.

Origination Process: Packaging and Credit Decision

Loan application packages were received daily by the credit department of GMAC-RFC Servicing GmbH. Packages were sorted and checked to ensure that the required borrower authorisations and waivers existed. The borrower's data was electronically obtained from the Schufa. Data was then entered into the "Mid-Office System" and loans were assigned to analyst teams. Loans were evaluated against the then current underwriting rules. Those that failed to meet established rules were rejected and the decision was

immediately communicated to the introducer. Loans that met the underwriting rules or those that required more complex analysis were passed on to one of the mandated credit underwriters. The mandated credit underwriter was responsible for the final decision and sign-off on the loans, including the specification of any additional requirements from the borrower. Certain applications required the sign-off of a second underwriter who was not part of the origination department, in particular if (i) the loan application related to a loan amount in excess of €250,000 (total commitment (*Gesamtengagement*) relevant) or a multi-family house with more than 4 units or (ii) the borrower was self-employed and the loan is not a standard product.

When the official credit decision by an underwriter was obtained, complete loan packages including a cover sheet with the detailed credit decision were securely transported to the Sub-Servicer.

Origination Process: Generating the Offer to the Borrower

Upon receipt of the approved and decided loan packages, the documents were scanned and indexed. The imaged documents are now available to the Sub-Servicer processors. The hard copy loan packages are stored at the Sub-Servicer until they are archived off-site.

Hypotheken Management GmbH ("**HM**") processors entered the data relating to the loan packages into their system. If everything was in order, HM generated, on behalf of GMAC-RFC Servicing GmbH, the official loan offer to the Borrower and sent these out via post. All offers to the Borrower were conditional i.e. GMAC-RFC Servicing GmbH reserved the right to back out of the offer, even after the Borrower's acceptance, should the Borrower a) fail to comply with all the requirements listed in the offer and b) withhold or misrepresent any information in his application.

Origination Process: Pre-Disbursement Requirements and Disbursement

Upon receipt of a signed (accepted) offer from the Borrower, the Originator worked with the Borrower and the introducer to complete any outstanding requirements for disbursement. For the actual disbursement and closing of the mortgage, the Originator was responsible for arranging all the details with a notary. An average of 60 days would elapse between the time that the offer was accepted by the Borrower and the actual disbursement.

Had the Originator received any additional information from the Borrower that had the potential to change the decision on the loan, the Originator was required to convey this information to GMAC-RFC Servicing GmbH. GMAC-RFC Servicing GmbH then re-evaluated the new information and re-validated its previous approval. If the application was to be rejected based on the new information, the Originator was notified to terminate processing on the loan. Otherwise, the Originator was asked to proceed normally.

HM prepared daily reports to GMAC-RFC Servicing GmbH on loans scheduled to disburse. On the scheduled disbursement day, the Originator prepared the wiring instructions to GMAC-RFC Servicing GmbH. GMAC-RFC Servicing GmbH compared the wiring instructions to the scheduled disbursement reports. If everything was in order, GMAC-RFC Servicing GmbH approved the disbursement on the banking system. Otherwise the disbursement was cancelled and GMAC-RFC Servicing GmbH worked with the Originator to reschedule the disbursement when all issues had been resolved.

Post-disbursement the Originator worked with a notary to ensure that closing documents were sent to the Originator. Closing documents were scanned and stored with the Borrower's electronic file. The collateral documents were then secured at the Sub-Servicer until shipped to secure off-site storage.

No further disbursements were made to a Borrower that went into arrears as long as any arrears of such borrower were outstanding save for (i) disbursements to be applied only towards the payment of any costs that arose in connection with the registration of the mortgage with the relevant land register and/or (ii) specific disbursements that – if not made – could have been detrimental to the revenues from a foreclosure, provided in each case that such disbursement did not result in the loan becoming 100% disbursed.

CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the provisional portfolio (the "**Provisional Portfolio**") with a total notional value of €197,731,219 as at the Portfolio Reference Date and is described further in the section entitled "*The Mortgage Loans*" above.

The characteristics of the Portfolio as at the Closing Date will differ from those set out below as a result of, among other things, repayments and redemptions of loans in the Provisional Portfolio from the Portfolio Reference Date to the Closing Date and removal of any loans that do not comply with the Loan Warranties as at the Closing Date.

The information contained in this section has not been updated to reflect any decrease in the size of the Portfolio from that of the Provisional Portfolio.

Except as otherwise indicated, these tables have been prepared using the outstanding principal balance as at the Portfolio Reference Date. Columns may not add up to the total due to rounding.

As at the Portfolio Reference Date, the Provisional Portfolio had the following characteristics:

Summary Statistics

	<u>Balance €</u>	
Total consolidated loans ²	1,574	
Total Original Loan Balance ¹	217,978,972	
Total Current Loan Balance ²	197,731,218.59	
Total Collateral Value	215,955,728	
Average Loan Balance ²	125,623	
Max Current Loan Value	415,333	
Min Current Loan Value	3,032	
Top 10 borrower concentration ²	1.95%	
Weighted Average Margin	5.89%	
W. avg interest rate ²	5.89%	
Interest Only Loans	22.15%	
Self-Employed Borrowers ¹	1.30%	
Jumbo Loans (>€400,000) ²	0.00%	
BTL Loans ¹	50.83%	
W.avg current LTV**	93.05%	
Max current LTV	110.00%	
Min current LTV	6.18%	
W.avg original LTV*	101.96%	
Max original LTV	111.11%	
Min original LTV	54.81%	
W. avg remaining loan term ²	272.57 months	22.71 years
Max remaining term	412.00 months	34.33 years
Min remaining term	11.00 months	0.92 years
W. avg seasoning ²	95.91 months	7.99 years
Max Loan Seasoning	119.71 months	9.98 years
Min Loan Seasoning	84.88 months	7.07 years

¹ As at origination.

² As at the Portfolio Reference Date.

*Original Balance divided by Original Valuation and weighted by Current Balance.

** Current Balance divided by Original Valuation and weighted by Current Balance.

Current Balance (as of the Portfolio Reference Date)

Current Balance	Loan count	%	Balance (€s) (RHS)	%
≤ 25k.....	3	0.19%	1,041,639	0.53%
25k - 50k.....	57	3.62%	6,270,712	3.17%
50k - 75k.....	215	13.66%	17,004,896	8.60%
75k - 100k.....	400	25.41%	37,588,279	19.01%
100k - 125k.....	308	19.57%	35,640,199	18.02%
125k - 150k.....	264	16.77%	36,765,803	18.59%
150k - 175k.....	136	8.64%	22,460,941	11.36%
175k - 200k.....	90	5.72%	17,304,016	8.75%
200k - 250k.....	77	4.89%	16,790,283	8.49%
250k - 300k.....	21	1.33%	5,675,116	2.87%
300k - 400k.....	2	0.13%	774,000	0.39%
400k +.....	1	0.06%	415,333	0.21%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Original Balance (as at origination)

Original Balance	Loan count	%	Balance (€s) (RHS)	%
≤ 100k.....	33	2.10%	5,489,912	2.78%
50k - 100k.....	486	30.88%	41,736,950	21.11%
100k - 200k.....	901	57.24%	116,985,489	59.16%
200k - 300k.....	145	9.21%	30,640,463	15.50%
300k - 400k.....	8	0.51%	2,463,073	1.25%
400k - 500k.....	1	0.06%	415,333	0.21%
500k +.....	0	0.00%	0	0.00%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Original Loan-to-Value (as at origination)

Original LTV	Loan count	%	Balance (€s) (RHS)	%
≤ 80%.....	45	2.86%	5,154,834	2.61%
80% - 90%.....	82	5.21%	12,158,156	6.15%
90% - 95%.....	56	3.56%	9,124,257	4.61%
95% - 100%.....	551	35.01%	69,175,618	34.98%
100% - 105%.....	144	9.15%	18,932,038	9.57%
105% - 110%.....	695	44.16%	83,051,999	42.00%
110%+.....	1	0.06%	134,317	0.07%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Current Loan-to-Value (as at the Portfolio Reference Date, based on original valuation)

Current LTV	Loan count	%	Balance (€s) (RHS)	%
≤ 80%	149	9.47%	16,202,023	8.19%
80% - 90%	256	16.26%	32,628,634	16.50%
90% - 95%	409	25.98%	52,162,547	26.38%
95% - 100%	490	31.13%	60,539,111	30.62%
100% - 105%	184	11.69%	24,663,802	12.47%
105% - 110%	86	5.46%	11,535,102	5.83%
110%+	0	0.00%	0	0.00%
TOTAL	1,574	100.00%	197,731,219	100.00%

Vintage (based on balance as at the Portfolio Reference Date)

Vintage	Loan count	%	Balance (€s) (RHS)	%
2005	24	1.52%	3,808,651	1.93%
2006	253	16.07%	35,654,397	18.03%
2007	1,271	80.75%	155,343,696	78.56%
2008	26	1.65%	2,924,474	1.48%
TOTAL	1,574	100.00%	197,731,219	100.00%

Original Term (as at origination)

Original Term	Loan count	%	Balance (€s) (RHS)	%
≤ 20 yrs	114	7.24%	14,159,708	7.16%
20 - 25 yrs	85	5.40%	9,135,104	4.62%
25 - 30 yrs	208	13.21%	22,012,173	11.13%
30 - 32 yrs	265	16.84%	31,796,038	16.08%
32 - 35 yrs	729	46.32%	92,983,251	47.03%
35+ yrs	173	10.99%	27,644,945	13.98%
TOTAL	1,574	100.00%	197,731,219	100.00%

Remaining Term (as of the Portfolio Reference Date)

Remaining Term	Loan count	%	Balance (€s) (RHS)	%
≤ 10 yrs	107	6.80%	13,699,612	6.93%
10 - 20 yrs	129	8.20%	14,219,886	7.19%
20 - 25 yrs	767	48.73%	89,170,955	45.10%
25 - 30 yrs	569	36.15%	80,351,430	40.64%
30+ yrs	2	0.13%	289,336	0.15%
TOTAL	1,574	100.00%	197,731,219	100.00%

Repayment Type (as of the Portfolio Reference Date)

Repayment type*	Loan count	%	Balance (€s) (RHS)	%
Principal Repayment	1,228	78.02%	153,931,314	77.85%
Interest Only	346	21.98%	43,799,905	22.15%
TOTAL	1,574	100.00%	197,731,219	100.00%

Property Tenure

Property Tenure	Loan count	%	Balance (€s) (RHS)	%
Freehold.....	1,574	100.00%	197,731,219	100.00%
Leasehold.....	0	0.00%	0	0.00%
TOTAL	1,574	100.00%	197,731,219	100.00%

Seasoning (as of the Portfolio Reference Date)

Seasoning	Loan count	%	Balance (€s) (RHS)	%
≤ 85 mths.....	0	0.00%	9,164	0.00%
85 - 90 mths.....	115	7.31%	12,932,741	6.54%
90 - 95 mths.....	762	48.41%	91,604,669	46.33%
95 - 100 mths.....	423	26.87%	53,989,399	27.30%
100 - 105 mths.....	207	13.15%	27,767,487	14.04%
105 - 110 mths.....	25	1.59%	4,116,527	2.08%
110 - 115 mths.....	26	1.65%	4,888,195	2.47%
115+ mths.....	16	1.02%	2,423,037	1.23%
TOTAL	1,574	100.00%	197,731,219	100.00%

Interest Reset Date (as of the Portfolio Reference Date)

Interest Reset Date	Loan count	%	Balance (€s) (RHS)	%
2015-Q1.....	0	0.00%	0	0.00%
2015-Q2.....	7	0.44%	1,034,720	0.52%
2015-Q3.....	10	0.64%	1,612,434	0.82%
2015-Q4.....	11	0.70%	1,916,883	0.97%
2016-Q1.....	27	1.72%	4,734,248	2.39%
2016-Q2.....	10	0.64%	1,631,749	0.83%
2016-Q3.....	33	2.10%	4,452,133	2.25%
2016-Q4.....	161	10.23%	21,663,602	10.96%
2017-Q1.....	172	10.93%	21,017,001	10.63%
2017-Q2.....	316	20.08%	41,502,357	20.99%
2017-Q3.....	454	28.84%	53,912,209	27.27%
2017-Q4.....	196	12.45%	22,280,173	11.27%
2018.....	22	1.40%	2,452,733	1.24%
2019.....	0	0.00%	0	0.00%
2020.....	0	0.00%	0	0.00%
2021.....	16	1.02%	2,058,319	1.04%
2022.....	76	4.83%	9,569,539	4.84%
2023.....	4	0.25%	471,741	0.24%
2024.....	0	0.00%	0	0.00%
2025.....	0	0.00%	0	0.00%
2026.....	4	0.25%	424,349	0.21%
2027.....	55	3.49%	6,997,030	3.54%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Occupancy Type (as at origination)

Occupancy Type	Loan count	%	Balance (€s) (RHS)	%
Buy-to-Let.....	919	58.39%	100,515,316	50.83%
Owner-Occupied.....	655	41.61%	97,215,903	49.17%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Months in Arrears

Months in Arrears	Loan count	%	Balance (€s) (RHS)	%
0.....	1,556	98.86%	195,498,497	98.87%
0-1.....	18	1.14%	2,232,722	1.13%
1-2.....	0	0.00%	0	0.00%
2-3.....	0	0.00%	0	0.00%
3+.....	0	0.00%	0	0.00%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Property Type (as at origination)

Property Type	Loan count	%	Balance (€s) (RHS)	%
Single-Family-House (SFH).....	474	30.11%	75,141,089	38.00%
Flat.....	1,058	67.22%	114,651,533	57.98%
Multi-Family-House (MFH).....	41	2.60%	7,864,211	3.98%
Garage	1	0.06%	74,386	0.04%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Interest Rate Margin Band (as at the Portfolio Reference Date)

Interest Rate Margin Band	Loan count	%	Balance (€s) (RHS)	%
≤ 4.0%	0	0.00%	0	0.00%
4.0-4.5%	19	1.21%	3,353,692	1.70%
4.50-5.00%	104	6.61%	15,992,297	8.09%
5.0-5.50%	287	18.23%	41,401,596	20.94%
5.50-6.00%	453	28.78%	56,658,865	28.65%
6.00-6.50%	381	24.21%	46,131,672	23.33%
6.50-7.00%	184	11.69%	20,128,658	10.18%
7.00-7.50%	99	6.29%	9,460,246	4.78%
≥ 7.5%	47	2.99%	4,604,192	2.33%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Valuation Type (as at origination)

Valuation Type	Loan count	%	Balance (€s) (RHS)	%
Drive-By.....	45	2.86%	5,154,834	2.61%
Desktop + Inspection	1,509	95.87%	185,808,419	93.97%
Full	20	1.27%	6,767,966	3.42%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Employment Type (as at origination)

Employment Type	Loan count	%	Balance (€s) (RHS)	%
Workman	234	14.87%	31,696,054	16.03%
Employed.....	1,194	75.86%	147,466,633	74.58%
Civil servant	98	6.23%	12,683,459	6.41%
Without income	11	0.70%	1,207,831	0.61%
Self-employed	22	1.40%	2,568,204	1.30%
Other.....	10	0.64%	1,606,266	0.81%
Retired person.....	5	0.32%	502,771	0.25%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

East/West

<u>East/West</u>	<u>Loan count</u>	<u>%</u>	<u>Balance (€s)</u> <u>(RHS)</u>	<u>%</u>
East (ex. Berlin).....	722	45.87%	83,432,197	42.19%
West (ex. Berlin)	659	41.87%	90,569,841	45.80%
Berlin.....	193	12.26%	23,729,181	12.00%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

Geographic Distribution (as at the Portfolio Reference Date)

<u>Geographic Distribution</u>	<u>Loan count</u>	<u>%</u>	<u>Balance (€s)</u> <u>(RHS)</u>	<u>%</u>
Hesse	60	3.81%	8,985,655	4.54%
Saxony.....	472	29.99%	52,761,687	26.68%
Berlin.....	193	12.26%	23,729,181	12.00%
Bavaria.....	96	6.10%	12,655,031	6.40%
Baden-Württemberg.....	127	8.07%	21,106,560	10.67%
Saxony-Anhalt.....	144	9.15%	15,762,290	7.97%
Rhineland-Palatinate	67	4.26%	10,090,260	5.10%
Brandenburg.....	76	4.83%	11,079,815	5.60%
North Rhine-Westphalia.....	113	7.18%	14,895,126	7.53%
Thuringia.....	24	1.52%	3,114,169	1.57%
Saarland.....	32	2.03%	3,556,452	1.80%
Hamburg.....	8	0.51%	992,614	0.50%
Bremen.....	12	0.76%	1,400,775	0.71%
Lower Saxony.....	105	6.67%	12,135,412	6.14%
Mecklenburg-West Pomerania.....	6	0.38%	714,235	0.36%
Schleswig-Holstein.....	39	2.48%	4,751,956	2.40%
TOTAL.....	1,574	100.00%	197,731,219	100.00%

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

The Mortgage Sale Agreement

Portfolio

Under a mortgage sale agreement to be entered into on or around the Closing Date between the Seller, the Issuer, the Security Trustee and the Retention Holder (the "**Mortgage Sale Agreement**"), the Seller shall on the Closing Date (in consideration for payment of the Initial Consideration and the deferred consideration consisting of the Residual Payments as detailed below) sell and transfer to the Issuer all, present and future, rights of the Seller against the relevant Borrower (the "**Purchased Loan Receivables**") under or in connection with German residential mortgage loans (the "**Mortgage Loans**") and the Related Security (including, in particular, the Mortgages).

The Purchased Loan Receivables and their Related Security (including, in particular, the Mortgages) to be sold to the Issuer pursuant to the Mortgage Sale Agreement comprising the Portfolio and all monies derived therefrom from time to time are referred to herein as the "**Portfolio**".

Transfer of title to the Purchased Loan Receivables and the Related Security (including the Mortgages)

Pursuant to the Mortgage Sale Agreement (and pursuant to the related transfer documents), title to the Purchased Loan Receivables and the Related Security (including, in particular, the Mortgages) is transferred from the Seller to the Issuer on the Closing Date by way of:

- (a) assignment (*Abtretung*) (which is, in relation to the assignment of the Mortgages, to be made in notarially certified form (*öffentlich beglaubigt*)); and
- (b) delivery of the mortgage certificates (*Grundschuldbriefe*) to the Issuer,

in each case referred to as the "**Sale**" by the Seller to the Issuer of the Purchased Loan Receivables and Related Security.

Consideration

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

- (a) the Initial Consideration in an amount equal to 93.44% of the Current Balance of the Mortgage Loans in the Portfolio as at 30 April 2015 (the Cut-off Date), such Initial Consideration being due and payable on the Closing Date; and
- (b) the deferred consideration consisting of the Residual Payments in respect of the Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates to be issued by the Issuer and delivered to the Seller on the Closing Date.

Any Residual Payment payable pursuant to the Residual Certificates will be paid in accordance with the Priority of Payments set out in the sections headed "*Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer*" and "*Cashflows– Distributions following the service of an Enforcement Notice on the Issuer*" below.

The Seller shall transfer to the Issuer within 2 Business Days of the Closing Date, an amount equal to the aggregate of (a) all Principal Receipts received on the Purchased Loan Receivables and their Related Security comprised in the Portfolio from (but excluding) the Cut-off Date to (but excluding) the Closing Date and (b) the greater of (i) zero and (ii) (A) all Revenue Receipts received on the Purchased Loan

Receivables and their Related Security comprised in the Portfolio from (but excluding) the Cut-off Date to (but excluding) the Closing Date, less (B) an amount equal to any Retained Accrued Interest (which the Seller will be entitled to retain). "**Retained Accrued Interest**" means any and all (i) interest accruing (ii) prepayment fees received and (iii) any other fees received in respect of any Mortgage Loan in the period from (but excluding) the Cut-off Date to (but excluding) the Closing Date, provided that such Mortgage Loan is not in arrears with respect to the payment of any amount as at the Closing Date.

Conditions to Sale

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

Representations and Warranties

On the Closing Date, the Loan Warranties will be given by the Seller in respect of the Purchased Loan Receivables and their Related Security comprised in the Portfolio.

The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller on the Closing Date pursuant to the Mortgage Sale Agreement (the "**Loan Warranties**") include, inter alia, similar statements to the following effect (defined terms having the meaning given to them in the Mortgage Sale Agreement) and will be with reference to the law (and interpretation thereof, whether by a court or otherwise), facts and circumstances then subsisting:

- (a) The Purchased Loan Receivables are duly and validly existing.
- (b) So far as the Seller is aware, each Purchased Loan Receivable was originated by the Originator.
- (c) As at the Cut-off Date, each of the Purchased Loan Receivables conforms to the Mortgage Loan Criteria (defined below) in all material respects.
- (d) The Seller has full right and legal title to the Purchased Loan Receivables and the Related Security, and no restrictions on the sale and assignment of the Purchased Loan Receivables and the Related Security are in effect.
- (e) The Purchased Loan Receivables and the Related Security are free and clear of, and economic and legal title to the Purchased Loan Receivables and Related Security will be conveyed to the Issuer free and clear of, any rights, encumbrances and attachments, and no rights have been granted in favour of any third party in respect of the Purchased Loan Receivables and the Related Security.
- (f) So far as the Seller is aware, in the servicing of the Purchased Loan Receivables, neither the Seller nor anyone acting on behalf of the Seller has participated in any fraud or intentional material misrepresentation with respect to the Purchased Loan Receivables.
- (g) The Mortgage Loans and the Mortgage Conditions comply in all material respects with the laws of Germany applicable thereto, including mortgage credit and consumer protection legislation.
- (h) So far as the Seller is aware, the Borrowers and, to the extent relevant, any third-party security providers, have given their consent to the disclosure of personal data pursuant to the Mortgage Conditions.
- (i) Each Purchased Loan Receivable is secured by a Mortgage on a Mortgaged Property located in Germany and is governed by German law.
- (j) All Mortgages (i) constitute valid mortgage rights on the Mortgaged Properties and, to the extent relating to the Mortgages, have been entered into the appropriate land register; (ii) are, in section III

(*Abteilung 3*) of the land register, first ranking or first ranking and sequentially lower ranking in favour of the Originator; and (iii) were vested in respect of the relevant Loan Receivable to secure the repayment of an Outstanding Principal Amount.

- (k) Each Purchased Loan Receivable and the related Mortgage constitute legal, valid, binding and enforceable obligations of the relevant Borrower or, if applicable, any guarantor except for any limitation on enforceability due to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally.
- (l) The weighted average LTV Ratio of all Purchased Loan Receivables at origination did not exceed 93.1 per cent. as of the Cut-off Date immediately preceding the Closing Date.
- (m) All Purchased Loan Receivables have been fully disbursed and there is no requirement for future advances thereunder.
- (n) Payments in respect of the Purchased Loan Receivables are made in arrear in monthly instalments by direct debit or, where applicable, other arrangements have been made with the relevant Borrower for it to pay directly into the Collection Account of the Seller.
- (o) To the best knowledge of the Seller, the Borrowers are not, as at the Cut-off Date, in any material breach of any provision of their Mortgage Loans.
- (p) Each Purchased Loan Receivable constitutes the entire loan granted to the relevant Borrower that is secured by the Mortgage and not merely one or more loan parts.
- (q) The particulars of each Mortgage Loan, as set forth in the list set out in Schedule 1 (List of Mortgage Loans) to the Mortgage Sale Agreement are true and correct in all material respects.
- (r) So far as the Seller is aware, the terms of each Mortgage Loan have not been impaired, waived, altered or modified in any material respect (excluding for the purposes of this representation any early repayment charges), except as specifically set forth in the related Loan File.
- (s) As at the Cut-off Date, the Seller had not received any notice of rescission, set-off, counterclaim, challenge or other defence raised or claimed by a Borrower other than any such rescission, set-off, counterclaim, challenge or other defence that is being disputed by the Seller, where (i) the Seller reasonably believes that such claims, challenges or defences have no merit or validity and have no prospect of being upheld by a court, (ii) no formal legal proceedings have been commenced with respect to any such claims, challenges or defences, (iii) all Borrowers in respect of the affected Mortgage Loans have continued (as at the Cut-off Date) to make payments when due under the Mortgage Loans notwithstanding the claims, challenges or other defences raised by them and (iv) no more than 3.6% of the aggregate Outstanding Principal Balance of the Portfolio is affected by any such claims, challenges or defences.
- (t) No more than 1.0% of the Mortgage Loans in the Portfolio were, during the twelve calendar months immediately preceding the Cut-off Date, more than 60 days in arrears in respect of any payment required pursuant to the loan contract underlying such Mortgage Loan, without giving effect to any applicable grace period.
- (u) Since the date on which the Seller acquired the Portfolio, being 26 August 2014, the Seller has not waived any material default, breach, violation or event of acceleration existing under any Mortgage Loan.
- (v) Each Purchased Loan Receivable and the Related Security has been created on the basis of the Mortgage Conditions.

- (w) The Seller is not aware of any pending actions, suits or proceedings by or before any court of governmental authority against or affecting the related Borrower or the related mortgaged property that, if determined adversely to such Borrower or mortgaged property, would materially and adversely affect the value of the mortgaged property or the ability of the Borrower to pay principal, interest or any other amounts due under such Mortgage Loan.
- (x) All Mortgages qualify as certificated Mortgages (*Briefgrundschulden*).
- (y) If the Purchased Loan Receivable is secured on a hereditary building right (*Erbbaurecht*), the Mortgage Loan is scheduled to be repaid prior to the expiry of the hereditary building right.
- (z) In respect of any Mortgage there are no rights registered in section II (*Abteilung 2*) of the land register ranking prior to the Mortgage which would materially affect the value of the Mortgage.
- (aa) No Mortgage Loan has a maturity date later than the end of 27 October 2049.
- (bb) At the time of origination of the relevant Mortgage Loan, a valuation of the relevant Property was undertaken in form acceptable to the Originator in accordance with their origination policies, subject to certain exceptions as was acceptable to the Originator;
- (cc) Since the time of acquisition by the Seller of the Mortgage Loans, the Seller or Master Servicer (or any Sub-Servicer) has kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Mortgage Loan and its Related Security and all such accounts, books and records are in the possession of the Seller or the Servicer (or the Sub-Servicer).
- (dd) Each Mortgage Loan is denominated and repayable in Euro.
- (ee) The Seller is not a deposit taking institution and has not engaged in any deposit taking business.
- (ff) The Seller is not the contractual party of savings and life insurance contracts and has not engaged in life insurance business or savings schemes.
- (gg) No Mortgage Loan, Related Security or any ancillary rights in relation to a Loan Receivable consist of or include any "stock" or any "marketable security" within the meaning of section 125 Finance Act 2003 or any "chargeable security" (as such is defined for the purposes of section 99 Finance Act 1986) or any "chargeable interest" (as such term is defined for the purposes of section 48 of Finance Act 2003).
- (hh) The Related Security consists wholly and exclusively of rights held by way of security and does not comprise any beneficial entitlement to any assets other than assets the rights to which are held by way of security.
- (ii) To the best of the Seller's knowledge taking into account its experience of enforcing mortgages and securing mortgage loans acquired as part of the portfolio that also included the Mortgage Loans, there have been no procedural difficulties in enforcing the Mortgages despite the fact that such Mortgages have been transferred multiple times and there have been no significant delays in effecting such enforcement when compared to the enforcement of land charges in Germany generally.
- (jj) As of the Cut-off Date, no more than 10.00% of the aggregate Outstanding Principal Amounts of all Mortgage Loans are secured by Properties that constitute hereditary building rights (*Erbbaurechte*).

For the purposes of item (c) of the Loan Warranties above, the "**Mortgage Loan Criteria**" are:

- (a) the Mortgage Loans are in one of the following forms:
 - (i) Annuity Mortgage Loans,
 - (ii) Mortgage Loans with redemption by Life Insurance Policy (*Tilgungsaussetzung durch Renten- oder Kapitallebensversicherung*),
 - (iii) Mortgage Loans with redemption by Savings Scheme (*Tilgungsaussetzung durch Bausparvertrag*), or
 - (iv) Interest-only Mortgage Loans (*Endfällige Darlehen*);
- (b) as at origination, the Borrower was a resident of Germany;
- (c) the Borrower is not employed by the Seller;
- (d) each Mortgage Loan is covered by a first ranking (in section III (*Abteilung 3*) of the land register) or first ranking and sequentially lower ranking right of mortgage on property situated in Germany;
- (e) there are no arrears in the payment of interest and/or redemption and, as the case may be, in respect of a Life Insurance Policy for any Mortgage Loan, for more than 60 calendar days, provided that the aggregate Outstanding Principal Balances of Mortgage Loans that are in arrears does not exceed 1.2% of the aggregate Outstanding Principal Balances of all Mortgage Loans included in the Portfolio as of the relevant Cut-off Date;
- (f) the interest rate on each Mortgage Loan is a fixed rate, subject to an interest reset from time to time;
- (g) interest payments on the Mortgage Loans are scheduled to be made monthly in arrears by direct debit or, where applicable, other arrangements have been made with the relevant Borrower for payments to be made other than by Direct Debit;
- (h) the weighted average CLTV of all Mortgage Loans does not exceed 93.6%;
- (i) (without affecting the Borrower's right to terminate the Mortgage Loan after a reset period of ten years) no Mortgage Loan provides for fixed rate interest periods longer than 20 years;
- (j) each Mortgage Loan has an Outstanding Principal Balance of not more than €550,000;
- (k) all Mortgage Loans are fully disbursed;
- (l) each Mortgage Loan will have received at least one instalment payment in accordance with the underlying loan contract prior to the Cut-off Date immediately preceding the Closing Date;
- (m) as at the Cut-off Date, no more than 42.1% of the aggregate Outstanding Principal Balances of all Mortgage Loans will be secured by Mortgages on real estate properties located in the former East Germany excluding Berlin;
- (n) no more than 58.35% of the aggregate Outstanding Principal Balances of all Mortgage Loans were "buy-to let" as at origination;
- (o) as of the Cut-off Date, no more than 32.0% of the Mortgage Loans are in respect of Properties located in any one particular federal state in Germany; and
- (p) as of the Cut-off Date, no more than 22.21% of the Mortgage Loans in the Portfolio are interest-only Mortgage Loans.

None of the Issuer, the Note Trustee, the Security Trustee, the Arranger or the Joint Lead Managers have undertaken any additional due diligence in respect of the application of the Lending Criteria and have relied entirely upon the representations and warranties referred to above which will be made by the Seller to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

Repurchase by the Seller during the Prescribed Period

During the Prescribed Period, the Seller will agree to be liable for the repurchase of any Purchased Loan Receivable and its Related Security sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Mortgage Loan and/or its Related Security proves to have been materially untrue as at the Closing Date, and that default has not been remedied in accordance with the Mortgage Sale Agreement and within any applicable grace period. Any Purchased Loan Receivables and their Related Security will be required to be repurchased following receipt by the Seller of a notice delivered more than 15 Business Days prior to the end of the Prescribed Period and in accordance with the Mortgage Sale Agreement requiring the Seller to repurchase the relevant Purchased Loan Receivable and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

Where a repurchase notice is served on the Seller more than 15 Business Days prior to the end of the Prescribed Period, the Seller will repurchase the relevant Purchased Loan Receivables and their Related Security upon a material breach of Loan Warranties (which the Seller fails to remedy within any agreed grace period). During the Prescribed Period, and provided the Seller receives the repurchase notice by the prescribed time, the Seller shall have no liability for a material breach of a Mortgage Loan Warranty other than the obligation to repurchase in accordance with the terms of the Mortgage Sale Agreement. The repurchase price payable will be equal to the aggregate of:

- (a) 93.44% of the Current Balance of the relevant Mortgage Loan as at the date of its repurchase; and (disregarding for the purposes of any such calculation to the extent that the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Issuer or the Security Trustee, the amount of any such reduction in the Current Balance) as at the relevant date of any such repurchase; and
- (b) the reasonable costs and expenses of the Issuer in relation to the repurchase of the relevant Purchased Loan Receivables and Related Security,

provided that notice of the need to repurchase a relevant Purchased Loan Receivable and Related Security is received prior to 15 Business Days before the end of the Prescribed Period and the breach is not remedied within any applicable grace period.

Following the termination of the Prescribed Period (or, in respect of Purchased Loan Receivables which have not already been the subject of a repurchase notice, if the Issuer (or the Master Servicer on its behalf) has served a notice requiring repurchase of the relevant Purchased Loan Receivable and its Related Security 15 Business Days or less before the end of the Prescribed Period), the Seller agrees to indemnify the Issuer against any costs (including legal costs charged at the usual commercial rates of the relevant legal services provider), damages or loss arising from any representation or warranty being materially incorrect when made by the Seller pursuant to the Mortgage Sale Agreement in relation to a Purchased Loan Receivable and its Related Security (which the Seller fails to remedy within any agreed grace period) (such amounts being the "**Loan Indemnity Warranty Payments**"). The amount of any Loan Indemnity Warranty Payment will be the amount of actual costs, damages or loss suffered by the Issuer (as determined by the Master Servicer), and must not exceed an amount equal to (i) 93.44% multiplied by the Current Balance of the affected Purchased Loan Receivable and its Related Security (disregarding for these purposes limb (c) of the definition of Current Balance) plus (ii) an amount equal to limb (c) of the definition of Current Balance, in respect of the relevant Purchased Loan Receivable and its Related Security and any outstanding fees of the Issuer in respect of the Purchased Loan Receivable calculated at the time of agreement by the Master Servicer or determined by the external auditors appointed by the Master Servicer. The Seller must, within

two Business Days of agreement or determination (as the case may be) pursuant to the Mortgage Sale Agreement, pay the relevant sum to the Issuer.

For these purposes, the "**Prescribed Period**" means the period of 120 days (including the last day of that period) commencing on the date that the Purchased Loan Receivable and the Related Security was acquired by the Issuer pursuant to the Mortgage Sale Agreement or such greater period as may be agreed between the Master Servicer and the Australian Prudential Regulation Authority.

Repurchase price

Other than on any Interest Payment Date on which (i) the Principal Amount Outstanding of all Notes as of the immediately preceding Calculation Date *plus* (ii) the balance standing to the credit of the Rated Note Reserve Fund (on the immediately following Interest Payment Date, prior to the application of any monies in accordance with the Priorities of Payment on such date) is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Rated Notes and the Class F Notes and the Subordinated Notes on the Closing Date, the consideration payable by the Seller in respect of the repurchase of an affected Loan and its Related Security shall be equal to 93.44% of the Current Balance of such Loan (disregarding for the purposes of any such calculation to the extent that the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Issuer or the Security Trustee, the amount of any such reduction in the Current Balance) as at the relevant date of any such repurchase, plus the Issuer's costs and expenses (if any) associated with the transfer of such Loan and its Related Security to the Seller.

"**Life Insurance Policy**" means an insurance policy taken out by any Borrower with any life insurance company, which pays out upon the death of the insured, combined with a capital insurance policy which pays out on an agreed date (which may not necessarily be the date on which the Mortgage Loan of such Borrower is repayable) any amount (which may be less than the Outstanding Principal Balance under the Mortgage Loan of such Borrower).

"**Loan Files**" means the following documents pertaining to a particular Mortgage Loan (in electronic form or on paper):

- (a) copy of the Mortgage Certificate (*Grundschuldbrief*);
- (b) copy of proof of registration of the Mortgage in the land register;
- (c) Life Insurance Policies, if any;
- (d) valuation report (if applicable);
- (e) request for loan; and
- (f) any other relevant correspondence with the Borrower or any third party.

"**Loan Receivable**" means, in respect of any Mortgage Loan, any and all, present and future, rights of the Seller against the relevant Borrower under or in connection with such Mortgage Loan.

"**Mortgage**" means, in respect of any Loan Receivable, a mortgage (*Grundschuld*) in the form of a certificated mortgage (*Briefgrundschuld*) securing such Loan Receivable.

"**Mortgage Certificate**" means, in respect of any Mortgage, the certificate (*Grundschuldbrief*) issued pursuant to §§ 1116(1), 1192(1) of the German Civil Code in respect of such Mortgage.

"**Mortgage Conditions**" means, in relation to any Mortgage Loan, the terms and conditions applicable to such Mortgage Loan, as set forth in the relevant mortgage deed and/or in any loan document, offer document

or any other document and/or in any applicable general terms and conditions for mortgages of the Originator from time to time in effect.

"**Mortgaged Property**" means (i) a real property; (ii) an apartment right (*Wohnungseigentum*); or (iii) a hereditary building right (*Erbbaurecht*), in each case situated in Germany and primarily for residential usage.

"**Related Security**" means, with respect to any Purchased Loan Receivable:

- (a) the Mortgage(s) (*Briefgrundschuld(en)*) relating to such Purchased Loan Receivable;
- (b) any other non-accessory (*nicht-akzessorische*) security rights (including, without limitation, any security assignment over the relevant Borrower's rights in relation to any Life Insurance Policy or Savings Scheme in respect of which such Borrower is the beneficiary) created or existing in favour of the Seller which secures the payment of such Purchased Loan Receivable;
- (c) any present and future claims and rights under such Purchased Loan Receivable or in relation to the relevant Mortgaged Property;
- (d) any claims of the Seller against the relevant Borrower and, as the case may be, the land owner arising out of the personal assumption of liability (*persönliche Haftungsübernahme*) pursuant to § 780 of the German Civil Code of such Borrower and, as the case may be, the land owner and the submission to immediate foreclosure (*Unterwerfung unter die sofortige Zwangsvollstreckung*) pursuant to § 794 No 5 of the German Code of Civil Procedure;
- (e) any ancillary rights in relation to such Purchased Loan Receivable (including, without limitation, rights to determine legal relationships (*Gestaltungsrechte*)); and
- (f) any claims to receive proceeds from the disposal of, or enforcement in relation to, the security.

"**Savings Scheme**" means a savings scheme contract (*Bausparvertrag*) entered into by the Borrower with a savings institute.

Governing Law

The Mortgage Sale Agreement shall be governed by, and construed in accordance with, the laws of England and Wales. Any non-contractual rights arising out of or in connection with the Mortgage Sale Agreement shall also be governed by the laws of England and Wales. The transfer of title to the Purchased Loan Receivables and the Related Security pursuant to the Transfer Documents and, as the case may be, any re-transfer pursuant to the Re-Transfer Documents is governed by, and shall be construed in accordance with, the laws of Germany.

MBL Guarantee

Macquarie Bank Limited, London Branch ("**MBL**") will provide a guarantee to the Issuer in respect of the repurchase obligations and certain indemnity payment obligations of the Seller (being the Loan Indemnity Warranty Payment) under the Mortgage Sale Agreement. Under such guarantee, upon the failure of the Seller to repurchase a Purchased Loan Receivable or to pay the Loan Indemnity Warranty Payments pursuant to the terms of the Mortgage Sale Agreement, MBL will procure that it (or one of its subsidiaries) repurchases such Purchased Loan Receivable or MBL will make such Loan Indemnity Warranty Payments.

The Master Servicing Agreement and the Sub-Servicing Agreement

The Master Servicing Agreement

On or around the Closing Date, the Issuer, the Master Servicer, the Back-up Servicing Facilitator and the Security Trustee will enter into an agreement relating to the servicing of the Purchased Loan Receivables and their Related Security (the "**Master Servicing Agreement**"). Under the Master Servicing Agreement, the Issuer has appointed L2 B.V. to act as Master Servicer and, pursuant to the terms of the Master Servicing Agreement and prior to the occurrence of a Master Servicer Termination Event, the Master Servicer will act in such capacity for the Issuer in connection with the Purchased Loan Receivables and their Related Security.

Under the Master Servicing Agreement, the Master Servicer agreed to provide mortgage services as set out in the Master Servicing Agreement in relation to the Purchased Loan Receivables and the Related Security which comprise both the "**Master Servicer Services**" and the "**Sub-Services**". The Sub-Services (as more fully defined below) will be delegated by the Master Servicer to the Sub-Servicer pursuant to the Sub-Servicing Agreement. Notwithstanding the delegation of the Sub-Services to the Sub-Servicer, the Master Servicer shall remain obliged to fulfil the Sub-Services if and to the extent the Sub-Servicer does not properly perform its duties and the Master Servicer has actual knowledge thereof.

The Master Servicer Services will be retained, and carried out (except where otherwise delegated in accordance with the terms of the Master Servicing Agreement), by the Master Servicer. The Master Servicer Services comprise in particular the following (in each case as further set out in the Master Servicing Agreement):

- (a) assisting the auditors of the Issuer and providing information to them upon reasonable request;
- (b) procuring the release, cancellation, re-assignment or re-transfer of any Related Security to the relevant security grantor upon unconditional repayment in full of all amounts payable under or in connection with the respective Purchased Loan Receivable;
- (c) notifying the Issuer of contemplated changes to the credit and collection procedures as notified to the Master Servicer by the Sub-Servicer;
- (d) determining and set the prepayment penalties and the mortgage interest rates (following the expiry of a fixed interest determination period of a Purchased Loan Receivable);
- (e) procuring that the prepayment penalties and the mortgage interest rates (following the expiry of a fixed interest determination period of a Purchased Loan Receivable) are communicated to the relevant Borrowers;
- (f) giving all reasonable instructions to the Sub-Servicer to recover all sums due under or in connection with the Purchased Loan Receivables and their Related Security that have become non-performing loan receivables; and
- (g) in connection with the delegation of the Sub-Services to the Sub-Servicer or in case of a delegation of the Master Servicer Services to any other delegate (other than a delegate which is an affiliate of the Master Servicer) to exercise and, if necessary in order to maximise recoveries, enforce all rights available to it under the Sub-Servicing Agreement or, as the case may be, any other delegation agreement to the extent such enforcement is in the best interests of the Issuer and the Secured Creditors.

Aside from of its obligation to delegate the Sub-Services to the Sub-Servicer pursuant to the Sub-Servicing Agreement, the Master Servicer is entitled to delegate the performance of the Master Servicer Services to another delegate provided that (other than with respect to a delegate which is an affiliate of the Master

Servicer) the requirements for such a delegation in the Master Servicing Agreement are satisfied, such requirements including, among other, (i) a prior written consent of the Security Trustee, (ii) if and as long as any portion of the Notes is assigned a rating by a Rating Agency, such Rating Agency is notified of such appointment, (iii) that the Master Servicer remains liable for compliance with, and obliged to fulfil all of the Master Servicer Services under the Master Services Agreement notwithstanding any such delegation if and to the extent the Sub-Servicer or such other delegate does not properly perform its duties and the Master Servicer has actual knowledge thereof; (iv) the Master Servicer has assigned for security purposes any rights of recourse (including compensation or damage claims) it may have against any such delegate; (v) it is required to exercise and, if necessary in order to maximise recoveries, enforce all rights available to it under any such delegation agreement against such other delegate to the extent such exercise and enforcement is in the best interests of the Issuer and the Secured Creditors; and (vi) that the person performing the subcontracted and/or delegated Master Servicer Services shall be a loan servicer of good market standing having proven experience in providing services with regard to mortgages of residential property in Germany and shall exercise the due care and diligence of a prudent merchant (*Sorgfalt eines ordentlichen Kaufmanns*). The Master Servicer shall always use the due care and diligence of a prudent merchant (*Sorgfalt eines ordentlichen Kaufmanns*) in the selection and continued appointment of any such delegate.

Further, the Master Servicer may (without having to comply with the general requirements for a delegation set out in the preceding paragraph) sub-contract or delegate the performance of certain Master Servicer Services to or otherwise involve or make use of oversight, management and administration capabilities of an affiliate of the Master Servicer in the provision of the Master Servicer Services provided that (i) such sub-contracting or other action is performed in accordance with all applicable laws (including, without limitation, that any such affiliate involved possesses all licences, authorisations and consents required under applicable law or regulation for the performance of such services), and (ii) any such action by the Master Servicer shall not release the Master Servicer from or otherwise affect any of the obligations of the Master Servicer under the Master Servicing Agreement, and the Master Servicer shall remain fully liable for due compliance with any of such obligations under the Master Servicing Agreement and (iii) such delegation or sub-contracting does not and will not create, or increase, any tax liabilities for or of the Issuer.

Permitted Changes to the Terms of a Mortgage Loan or its Related Security

The Master Servicer is not entitled to amend or permit the amendment of the terms of a Mortgage Loan or its Related Security relating to a Purchased Loan Receivable on behalf of the Issuer, save where (a) the Master Servicer is setting interest rates or agrees on a prepayment in accordance with the Master Servicing Agreement, or (b) the aim of such amendment is to return the Mortgage Loan from being in arrears back to performing status provided that such amendment must not result in (i) the extension of the maturity date of such Mortgage Loan for a period of more than 5 (five) years from the maturity stipulated under the terms of the Mortgage Loan prior to such amendment or for any period beyond the Maturity Extension Long Stop Date, (ii) the deferral of the obligation of the Borrower to repay principal in respect of the Mortgage Loan for more than 1 (one) year following such amendment or (iii) without prejudice to (ii), above a reduction of the annual amortisation rate of the relevant Mortgage Loan by more than 10 (ten) per cent. of the amortisation rate set out in the Mortgage Conditions agreed as at the relevant date of determination; or (c) the aim of such amendment is to comply with changes to all relevant laws and regulations applicable to the Mortgage Loan or its Related Security, and for such purposes under (a), (b) and/or (c) above, the Master Servicer is authorised by the Issuer and the Security Trustee to effect such amendments. For these purposes, "**Maturity Extension Long Stop Date**" means the date falling three years and one day prior to the Final Maturity Date.

Interest Rates on Mortgage Loans; Prepayment Penalties

As part of the Master Servicer Services, the Master Servicer shall be authorised by the Issuer to and shall determine and set (a) the mortgage interest rates for any new interest determination period (following expiry of the fixed interest determination period) for the Mortgage Loans, and (b) the prepayment penalties in case a Borrower requests a voluntary prepayment of a Mortgage Loan which is not permitted by the Mortgage Conditions.

The Master Servicer shall in good time prior to the expiry of any fixed interest determination period for Mortgage Interest Rates in respect of a Mortgage Loan determine the Mortgage Interest Rates in good faith taking into account the evolution of the mortgage lender's operating and refinancing costs provided that any such Mortgage Interest Rate shall not be lower than the sum of (i) the Five Year Euro Mid Swap Rate and (ii) three (3) per cent. per annum, and procure that such new Mortgage Interest Rate is communicated to the Borrower.

"Five Year Euro Mid Swap Rate" means the annual swap rate expressed as a percentage per annum for euro interest rate swap transactions with a maturity of five years as determined by the Master Servicer on the basis of prevailing market conditions as of or around the date of determination.

"Mortgage Interest Rate" means, in respect of each Mortgage Loan, the interest rate applicable to such Mortgage Loan at any time.

"Prepayment Penalties" means any prepayment penalties to be paid by a Borrower under a Mortgage Loan as a result of the relevant Purchased Loan Receivable being repaid (in whole or in part) prior to the maturity date of such Mortgage Loan other than (i) on a date whereon the interest rate is reset or (ii) otherwise permitted.

In case the Master Servicer is informed of a request of a Borrower to prepay a Purchased Loan Receivable in a manner which is not permitted by the Mortgage Conditions, the Master Servicer shall provide the necessary models/parameters taking into account the prevailing rates in the German residential mortgage market and the Mortgage Conditions in order to enable the Sub-Servicer to calculate the Prepayment Penalties. The Master Servicer acting in good faith shall be entitled to waive any such calculated Prepayment Penalty in whole or in part as it considers appropriate taking into account the amount of the reduction and potential adverse consequences if a settlement is not reached and an enforcement or litigation in relation to such Purchased Loan Receivable would otherwise become necessary.

The Servicing Standard

In performing all of its obligations under the Master Servicing Agreement, the Master Servicer has agreed to exercise the due care and diligence of a prudent merchant (*Sorgfalt des ordentlichen Kaufmanns*) as set out in § 347 of the German Commercial Code.

Operation of the Collection Account

The Master Servicer will undertake to procure that all collections in respect of the Purchased Loan Receivables and their Related Security comprised in the Portfolio are paid into the Collection Account opened in its name with the Collection Account Bank. The Master Servicer shall use all reasonable endeavours to procure that only monies which derive from the Purchased Loan Receivables and their Related Security comprised in the Portfolio will be paid into the Collection Account and that the Collection Account will not be used for any purpose other than receiving Collections in relation to the Purchased Loan Receivables and their Related Security comprised in the Portfolio.

The Master Servicer has granted authority to the Sub-Servicer to manage the Collection Account on a day-to-day basis in accordance with the terms of the Sub-Servicing Agreement. The Sub-Servicer shall transfer all collections received on the Collection Account on a daily basis to the Issuer Account provided that (i) a minimum daily balance of €25,000 shall be retained in the Collection Account and (ii) certain servicing expenses may be debited from the Collection Account by the Sub-Servicer in accordance with the terms of the Master Servicing Agreement and the Sub-Servicing Agreement.

In order to secure the obligations of the Master Servicer to transfer collections to the Issuer Accounts, the Collection Account will be pledged in favour of the Issuer pursuant to the Collection Account Pledge Agreement.

Provisions relating to the liability of the Master Servicer

Subject to certain exceptions set out in the Master Servicing Agreement, the aggregate liability of the Master Servicer in respect of any claim arising out of or in connection with the Master Servicing Agreement (whether arising in contract, tort or otherwise) shall be limited to €1,000,000 or, with respect to any failure to comply fully with its obligations to exercise and enforce its rights under the Sub-Servicing Agreement against the Sub-Servicer, €3,000,000. The Master Servicer shall only become liable if such liability results from a failure by the Master Servicer to perform or a breach of its contractual obligations that is in either case caused by gross negligence or wilful misconduct on the part of the Master Servicer.

Further, the Master Servicer has only limited responsibility for any action or omission of the Sub-Servicer appointed by it in accordance with the requirements of the Master Servicing Agreement. Upon the delegation of the Sub-Services to the Sub-Servicer in accordance with the provisions of the Master Servicing Agreement, the Master Servicer only remains obliged to fulfil such delegated services if and to the extent the Sub-Servicer does not properly perform its duties and the Master Servicer has actual knowledge thereof. The Master Servicer is, however, required to exercise and, if necessary in order to maximise recoveries, enforce all rights available to it under the Sub-Servicing Agreement against the Sub-Servicer to the extent such enforcement is in the best interests of the Issuer and the Secured Creditors. Pursuant to the Master Servicing Agreement, the Master Servicer has assigned for security purposes to the Issuer any rights of recourse (including compensation or damage claims) it may have against the Sub-Servicer under the Sub-Servicing Agreement. Upon satisfaction of the Issuer's secured claims against the Master Servicer, the Issuer shall assign back to the Master Servicer the remaining amount of the assigned claims of the Master Servicer without undue delay. Such assignment shall serve as security for any claims of the Issuer against the Master Servicer under the Master Servicing Agreement and under the other Transaction Documents. The Issuer has authorised the Master Servicer to exercise the rights assigned to it until such authorisation is revoked by the Issuer or the Security Trustee, as the case may be, which may occur at any time after the occurrence of a Master Servicer Termination Event or the service of an Enforcement Notice.

Similarly, to the extent that the Master Servicer has delegated the performance of any of the Master Servicer Services to any delegate other than the Sub-Servicer or any affiliate of the Master Servicer in accordance with the Master Servicing Agreement, the Master Servicer will only have limited responsibility or liability for any action or omission of such delegate and the extent of such limitation of responsibility or liability will be similar to the provisions relating to the Master Servicer's responsibility and liability that apply with respect to actions or omissions of the Sub-Servicer (including to exercise and enforce its rights against the Sub-Servicer), provided that any such arrangement with any such new delegate would require the prior consent of the Trustee, would need to be notified to Rating Agencies and would require the Master Servicer to assign any further rights of recourse (including compensation or damage claims) it may have against any other delegate appointed by it in accordance with the Master Servicing Agreement.

Compensation of the Master Servicer

The Master Servicer will be paid by the Issuer a master servicing fee (the "**Master Servicing Fee**") for performing the Master Servicer Services under the Master Servicing Agreement. Such fee will consist of (in each case exclusive of VAT):

- (i) the Senior Master Servicing Fee equal to the sum of (A) an amount equal to €30,000 (per annum); and (B) the "**Sub-Servicing Component of the Senior Master Servicing Fee**". The Sub-Servicing Component of the Senior Master Servicing Fee is equal to the Sub-Servicer Fee payable by Macquarie Bank Limited, London Branch to the Sub-Servicer pursuant to the Sub-Servicer Fee Schedule under the Sub-Servicing Agreement in consideration for the provision of the Sub-Services by the Sub-Servicer to the Master Servicer (see the section entitled "*Compensation of the Sub-Servicer*" below; and
- (ii) the Junior Master Servicing Fee equal to €30,000 (per annum).

Data Protection

Each of the Master Servicer and the Security Trustee will comply with the provisions of the Consent Declarations (in particular, collect, process and use any Borrower-related data only to exercise any of its rights in connection with the Purchased Loan Receivables and/or the Related Security) and will not transfer any Borrower-related data to third parties other than in compliance with the Consent Declarations.

Termination of the Master Servicer

The Issuer may, and if so instructed by the Security Trustee, shall immediately by notice in writing to the Master Servicer terminate the Master Servicer's appointment under the Master Servicing Agreement if a "**Master Servicer Termination Event**") occurs and is continuing. The Master Servicer Termination Events are listed in the section entitled "*Non-Rating Triggers Table – Master Servicer Termination Events*".

Any termination of the Master Servicer shall take effect from a date (not earlier than the date of the notice) specified in the relevant notice of termination provided that the termination shall become effective only after the appointment of a substitute Master Servicer.

In addition, the Issuer (as well as any other party to the Master Servicing Agreement) may terminate the Master Servicing Agreement upon the expiry of not less than ninety (90) days' prior written notice of termination given by it to the other parties provided that:

- (a) a substitute Master Servicer which holds all necessary licences and has experience in providing services with regard to mortgages of residential property in Germany has been engaged on substantially the same terms as the Master Servicer and such substitute Master Servicer is acceptable to the Issuer and the Security Trustee; and
- (b) if and so long as any portion of Notes is assigned a rating by a Rating Agency, the appointment of such substitute Master Servicer does not result in a downgrading or withdrawal of the rating of such Notes.

Termination by the Master Servicer

The Master Servicer may terminate its appointment under the Master Servicing Agreement upon the expiry of not less than ninety (90) days' prior written notice of termination given by the Master Servicer to each of the Issuer and the Security Trustee provided that:

- (a) a substitute Master Servicer which holds all necessary licences and has experience in providing services with regard to mortgages of residential property in Germany has been engaged on substantially the same terms as the Master Servicer and such substitute Master Servicer is acceptable to the Issuer and the Security Trustee; and
- (b) if and so long as any portion of Notes is assigned a rating by a Rating Agency, the appointment of such substitute Master Servicer does not result in a downgrading or withdrawal of the rating of such Notes.

Substitute Master Servicer

Upon termination of the appointment of the Master Servicer pursuant to the Master Servicing Agreement, a substitute Master Servicer shall be appointed by the Issuer (or the Security Trustee on its behalf) and such substitute Master Servicer shall accede to the Master Servicing Agreement or enter into an agreement with the Issuer and the Security Trustee substantially on the same terms of the Master Servicing Agreement. Any such substitute Master Servicer must have experience in providing services with regard to mortgages of residential property in Germany and must be approved by the Security Trustee. If and so long as any portion of Notes is assigned a rating by a Rating Agency, the appointment of such substitute Master Servicer must

also not result in a downgrading or withdrawal of the rating of such Notes. The Master Servicer shall not be released from its respective obligations under the Master Servicing Agreement until such substitute Master Servicer has acceded to the Master Servicing Agreement or entered into such new master servicing agreement. Pursuant to the terms of the Master Servicing Agreement, the Issuer has appointed the Back-up Servicing Facilitator to assist the Issuer in identifying a substitute master servicer and/or substitute sub-servicer.

None of the provisions of the Master Servicing Agreement shall affect the right of each party thereto to resign from its office for good cause (*aus wichtigem Grund*) with immediate effect.

Sub-Servicing Agreement

The Master Servicer has appointed, as of the Closing Date, the Sub-Servicer pursuant to the terms of the sub-servicing agreement entered into between, the Master Servicer, the Sub-Servicer and Custodian, Macquarie Bank Limited, London Branch and the Security Trustee (the "**Sub-Servicing Agreement**"). Pursuant to the Sub-Servicing Agreement, the Master Servicer has delegated the Sub-Services to the Sub-Servicer. The Sub-Services comprise, in particular, the following (in each case as further set out in the Sub-Servicing Agreement) (the "**Sub-Services**"):

- (a) collecting all sums due in relation to the Purchased Loan Receivables and the Related Security, transferring collections to the Issuer Account on a daily basis in and providing administration services in relation to the collection of the Purchased Loan Receivables and the Related Security;
- (b) reporting to the Master Servicer on the performance of the Purchased Loan Receivables and the Related Security as described in the Sub-Servicing Agreement;
- (c) taking the measures necessary or appropriate to preserve or protect the rights of the Issuer under the Purchased Loan Receivables and the Related Security in accordance with the Credit and Collection Procedures or otherwise as instructed by the Master Servicer;
- (d) taking enforcement measures in relation to non-performing Purchased Loan Receivables and their Related Security in accordance with the credit and collection procedures or otherwise as instructed by the Master Servicer;
- (e) performing those other services which are described in the credit and collection procedures; and
- (f) performing such other functions which are necessary or appropriate in connection with the foregoing functions provided that such services are of an ancillary nature only.

In addition, pursuant to the Sub-Servicing Agreement, the Sub-Servicer has agreed with the Master Servicer that it shall hold the Mortgage Certificates (*Grundsschuldbriefe*) relating to the Purchased Loan Receivables as custodian in safe custody (*Verwahrung*) for the Issuer and the Security Trustee (or to their order) and shall, upon request by the Issuer or, following the notification of an Enforcement Notice, by the Security Trustee deliver any or all Mortgage Certificates to the Issuer or the Security Trustee, respectively. The Sub-Servicer is currently registered in the German legal services register (*Rechtsdienstleistungsregister*) to perform collection services pursuant to Section 10 (1) No. 1 of the German Act on Legal Services (the "**Collection Registration**"). Pursuant to the Sub-Servicing Agreement, the Sub-Servicer will not be required to engage in any activity which may require a banking licence under the German Banking Act (*Kreditwesengesetz*) or a registration under the German Act on Legal Services (*Rechtsdienstleistungsgesetz*) except for the Collection Registration.

The Servicing Standard

In performing all of its obligations under the Sub-Servicing Agreement, the Sub-Servicer has undertaken to exercise the due care and diligence of a prudent merchant (*Sorgfalt des ordentlichen Kaufmanns*) as set out in § 347 of the German Commercial Code.

Data Protection

The Sub-Servicer will comply with the provisions of the Consent Declarations (in particular, collect, process and use any Borrower-related data only to exercise any of its rights in connection with the Purchased Loan Receivables and/or the Related Security) and will not transfer any Borrower-related data to third parties other than in compliance with the Consent Declarations.

Sub-Servicer Reports

The Sub-Servicer shall:

- (a) on the 3rd day (or the next following Business Day if such a day is not a Business Day) of each calendar month, prepare and deliver the "**Third Business Day Report**" to the Cash Manager and the Master Servicer;
- (b) on the 10th day (or the next following Business Day if such a day is not a Business Day) of each calendar month, prepare and deliver the "**Standard Report**" to the Master Servicer;
- (c) on the 10th day (or the next following Business Day if such a day is not a Business Day) of each calendar month, prepare and deliver the "**ECB Report**", to the Cash Manager, the Master Servicer and the Security Trustee, to certain email addresses (including Bloomberg and ABS Net) and to the European Data Warehouse by way of website upload; and
- (d) on the 20th day (or the next following Business Day if such a day is not a Business Day) in each of April, July, October and January (commencing in October 2015), deliver each Investor Report (as prepared by and received from the Cash Manger) to the Master Servicer and the Security Trustee, to certain email addresses (including Bloomberg and ABS Net) and to the European Data Warehouse by way of website upload.

In addition, the Sub-Servicer shall deliver any of such reports to such additional persons as the Master Servicer requests.

Limitation of liability of the Sub-Servicer

Subject to certain exceptions set out in the Sub-Servicing Agreement, the aggregate liability of the Sub-Servicer under the Sub-Servicing Agreement, whether arising in contract, tort or otherwise is limited to a maximum amount of €3,000,000.

Insurance coverage of the Sub-Servicer

The Sub-Servicer is required during the term of the Sub-Servicing Agreement, to keep in force, at the Sub-Servicer's expense, a professional indemnity errors and omissions insurance policy with coverage of at least EUR1,500,000 per loss per Purchased Loan Receivable and the Related Security and in the annual aggregate of at least EUR3,000,000 encompassing the Sub-Servicer's loan servicing functions under the Sub-Servicing Agreement.

Compensation of the Sub-Servicer

The Sub-Servicer will be paid by Macquarie Bank Limited, London Branch a sub-servicer fee (the "**Sub-Servicer Fee**") in consideration for the provision by the Sub-Servicer to the Master Servicer of the Sub-Services under the Sub-Servicing Agreement. Such fee will be determined under the "**Sub-Servicer Fee Schedule**" between the Master Servicer and the Sub-Servicer which is attached to the Sub-Servicing Agreement. The Sub-Servicer Fee essentially consists of a base management fee of 16.5bps on the Outstanding Principal Balance of the performing loans and, for the non-performing loans, gross cash collection fees of 6% for freehand sales and 5% for foreclosures, plus a standard monthly reporting fee of €2,000 per month. In the case of Deficiency Claims, the Sub-Servicer receives a monthly realisation fee at a rate of 20% of the debt collection cash-flows received by the Issuer in the relevant month. Other exceptional work will be charged at agreed hourly rates. Such Sub-Servicer Fee shall be exclusive of VAT. For these purposes, "**Deficiency Claim**" means a Purchased Loan Receivable, for which all Related Security is enforced.

Furthermore, in the event of an ordinary termination of the Sub-Servicer by the Master Servicer (which termination requires the consent of the Security Trustee), the Master Servicer or any of its affiliates must pay to the Sub-Servicer a compensation fee consisting of an offboarding fee equal to the base management fee of 16.5bps on the Outstanding Principal Balance of the performing loans for a 4 month period and a compensation fee calculated as 2% of the net present value of the net collections with respect to the Non-Performing Loan Receivables (exclusive of VAT).

Termination of the Sub-Servicer

If a "**Sub-Servicer Termination Event**" occurs, the Master Servicer may (with the consent of the Security Trustee) or shall (if so instructed by the Security Trustee) by written notice to the Sub-Servicer terminate the appointment of the Sub-Servicer as provider of the services under the Sub-Servicing Agreement (including as custodian of the Mortgage Certificates (*Grundsschuldbriefe*)). The termination shall take effect from a date (not earlier than the date of notice) specified in the notice provided that no such termination shall become effective until a suitable substitute Sub-Servicer has been appointed unless the Master Servicer is confident (to the satisfaction of the Security Trustee) that the continued provision of the Sub-Services is ensured.

The Sub-Servicer Termination Events are listed in the section entitled "*Non-Rating Triggers Table – Sub-Servicer Termination Events*".

In addition, the Master Servicer may terminate the Sub-Servicing Agreement by giving not less than twelve months' prior written notice to the end of each calendar month.

A termination of the Sub-Servicing Agreement by the Master Servicer requires the consent of the Security Trustee.

Termination by the Sub-Servicer

In addition, the Sub-Servicer may terminate its appointment as Sub-Servicer by giving not less than twelve months' prior written notice to the end of the calendar month. None of the provisions of the Sub-Servicing Agreement shall affect the right of each party thereto to resign from its office for good cause (*aus wichtigem Grund*) with immediate effect.

In case of a termination of the appointment of the Sub-Servicer, the Master Servicer will endeavour to identify a substitute sub-servicer with sufficient experience of servicing the Purchased Loan Receivables and their Related Security as replacement or it will establish alternative processes for the servicing of the Purchased Loan Receivables and their Related Security. Pursuant to the terms of the Master Servicing Agreement, the Issuer has appointed the Back-up Servicing Facilitator to assist the Master Servicer in identifying a substitute sub-servicer.

Automatic termination

The Sub-Servicing Agreement shall terminate at the earlier of (a) such time as neither the Issuer nor the Security Trustee has any further interest in any of the Purchased Loan Receivables or any Related Security or (b) the Interest Payment Date falling in October 2052.

Provisions of Sub-Services in case of a termination of or by the Master Servicer

Under the Sub-Servicing Agreement, the Sub-Servicer has agreed, in case the appointment of the Master Servicer under the Master Servicing Agreement is terminated, that (i) it will continue to perform the Sub-Services for any substitute Master Servicer that is appointed by the Issuer and/or the Security Trustee to replace the Master Servicer on an interim or permanent basis and that (ii) it will provide the Sub-Services towards such substitute Master Servicer on the same terms and conditions as set out in the Sub-Servicing Agreement and it will enter into such additional documentation as is necessary to effect the transition of the activities to such substitute Master Servicer.

Governing Law

Each of the Master Servicing Agreement and the Sub-Servicing Agreement shall be governed by, and construed in accordance with, the laws of Germany. Any non-contractual rights arising out of or in connection with the Master Servicing Agreement and the Sub-Servicing Agreement shall also be governed by the laws of Germany.

The Deed of Charge

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

English Security

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

- (a) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under the Transaction Documents (other than the Deed of Charge, the German Security Agreement and any other Transaction Document governed by German law) and any sums derived therefrom (provided that the assignment by way of security of the Issuer's rights under the Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder);
- (b) a charge by way of first fixed charge over the Issuer's interest in its bank accounts (including the Issuer Account and the Swap Collateral Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (c) a charge by way of first fixed charge over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf; and
- (d) a floating charge over all assets of the Issuer not otherwise subject to the charges referred to above or otherwise effectively assigned by way of security.

"**Authorised Investments**" means, at any time:

- (a) Euro denominated government and public securities ;
- (b) Euro demand or time deposits and certificates of deposit; and

- (c) short-term debt obligations (including commercial paper),

provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and such investments: (i) mature before the next Interest Payment Date; (ii) may be broken or demanded by the Issuer (at no cost or other loss to the Issuer) before the next following Interest Payment Date so that, in each case, such funds will be available for withdrawal on such date; and (iii) have a maturity date falling within 90 days or less of their date of issue, and are rated (or, in the case of (a) and (b) above only, the short term and long term debt of the issuer (as applicable) of such investments is rated) (x) at least A2 or P-1 by Moody's and (y)(i) at least A or R-1 (middle) by DBRS or (ii) except where such investment has a maximum maturity of 90 days in which case the short term and long term debt of the issuer (as applicable) of such investments is rated at least AA (low) or R-1 (middle) by DBRS or (iii) if such investment is not rated by DBRS, the DBRS Equivalent Rating.

"**DBRS Equivalent Rating**" means:

- (a) if a Fitch public rating, a Moody's public rating and an S&P public rating in respect of the Authorised Investment or the Swap Provider or the Eligible Institution (each, a "**Public Long Term Rating**") are all available at such date, the corresponding DBRS rating as shown in the DBRS Equivalence Chart of such Public Long Term Rating remaining after disregarding the highest and lowest of such Public Long Term Ratings from such rating agencies (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS rating one notch below the DBRS rating corresponding to such Public Long Term Rating as shown in the DBRS Equivalence Chart). For this purpose, if more than one Public Long Term Rating has the same highest or same lowest DBRS rating as shown in the DBRS Equivalence Chart, then in each case one of such Public Long Term Ratings shall be so disregarded;
- (b) if the DBRS Equivalent Rating cannot be determined under (a) above, but Public Long Term Ratings of the Authorised Investment or the Swap Provider by any two of Fitch, Moody's and S&P are available at such date, the corresponding DBRS rating as shown in the DBRS Equivalence Chart of the lower of such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below); and
- (c) if the DBRS Equivalent Rating cannot be determined under (a) and (b) above, but a Public Long Term Rating by any one of Fitch, Moody's and S&P is available at such date, then the DBRS rating as shown in the DBRS Equivalence Chart will be such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS rating one notch below the DBRS rating corresponding to such Public Long Term Rating as shown in the DBRS Equivalence Chart).

If at any time the DBRS Equivalent Rating cannot be determined under subparagraphs (a) to (c) above, then the Authorised Investment or the Swap Provider will be deemed to have a DBRS Rating of "C" at such time.

DBRS Equivalence Chart means the DBRS rating equivalent of any of the below ratings by Moody's, Fitch or S&P:

DBRS	Moody's	S&P	Fitch
AAA	Aaa	AAA	AAA
AA(high)	Aa1	AA+	AA+

AA	Aa2	AA	AA
AA(low)	Aa3	AA-	AA-
A(high)	A1	A+	A+
A	A2	A	A
A(low)	A3	A-	A-
BBB(high)	Baa1	BBB+	BBB+
BBB	Baa2	BBB	BBB
BBB(low)	Baa3	BBB-	BBB-
BB(high)	Ba1	BB+	BB+
BB	Ba2	BB	BB
BB(low)	Ba3	BB-	BB-
B(high)	B1	B+	B+
B	B2	B	B
B(low)	B3	B-	B-
CCC	Caa2	CCC	CCC

"**Fitch**" means Fitch Ratings Limited or its successors;

"**S&P**" means Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited or its successors;

"**Secured Creditors**" means the Security Trustee, any Receiver appointed by the Security Trustee pursuant to the Deed of Charge, the Note Trustee, the Noteholders, the Certificateholders, the Seller, the Master Servicer, the Back-up Servicing Facilitator, the Cash Manager, the Swap Provider, the Issuer Account Bank, the Corporate Services Provider, the Paying Agents, the Registrar, the Agent Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

"**Transaction Documents**" means the Master Servicing Agreement, the Sub-Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Collection Account Pledge Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, the Swap Agreement, the German Security Agreement, the Transfer Documents, any Re-Transfer Documents, a share trust deed dated 27 May 2015 (the "**Share Trust Deed**"), the power of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge (the "**Issuer Power of Attorney**"), the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the power of attorney granted by the Issuer in favour of the Master Servicer on the Closing Date (the "**Master Servicer Power of Attorney**"), the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes and/or the Residual Certificates.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur

automatically (subject to applicable law) following the occurrence of specific events set out in the Deed of Charge, including, among others, service of an Enforcement Notice. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

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

Prior to the Note Trustee serving an Enforcement Notice on the Issuer pursuant to Condition 11 (Events of Default) of the Notes or Residual Certificates Condition 11 (Events of Default), declaring the Notes or any residual payments under the Residual Certificates to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Issuer Account as described in "Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer", "Application of Available Principal Receipts prior to the service of an Enforcement Notice on the Issuer" below and "Application of Monies released from the Rated Note Reserve Fund" and apply monies standing to the credit of the Swap Collateral Account as described in "Cashflows – Swap Collateral".

Post-Enforcement Priority of Payments

After the Note Trustee has served an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes or Residual Certificates Condition 11 (*Events of Default*), declaring the Notes or any residual payments under the Residual Certificates to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) or any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Assets by the Security Trustee pursuant to the Deed of Charge (a "**Receiver**") appointed by it shall apply the monies standing to the credit of the Issuer Account in accordance with the Post-Enforcement Priority of Payments defined in "*Cashflows – Distributions following the service of an Enforcement Notice on the Issuer*" below.

The Security will become enforceable after an Enforcement Notice has been served on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes or Residual Certificates Condition 11 (*Events of Default*) provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the Post-Enforcement Priority of Payments), or (b) the Security Trustee is of the opinion that the cash flow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing: (i) to the Noteholders (and all persons ranking in priority to the Noteholders in the order of priority set out in the Post-Enforcement Priority of Payments); and (ii) once all the Noteholders (and all such prior ranking persons) have been repaid, to the remaining Secured Creditors (other than the Certificateholders) in the order of priority set out in the Post-Enforcement Priority of Payments; and (iii) once all the Noteholders and all the Secured Creditors (other than the Certificateholders) have been repaid, to the Certificateholders, which opinion shall be binding on the Secured Creditors and reached after considering at any time and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer in accordance with the applicable Priority of Payments. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to above without further enquiry and shall incur no liability to any person for so doing.

Governing Law

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law.

The German Security Agreement

On the Closing Date, the Issuer will enter into the German Security Agreement with the Security Trustee.

German Security

Under the terms of the German Security Agreement, the Issuer will provide the Security Trustee with the benefit of, inter alia, the following German security (the "**German Security**") consisting of the Assigned German Security and the Pledged German Security as trustee (*Treuhänder*) for itself and for the benefit of the Secured Creditors (including the Noteholders and the Certificateholders):

Assigned German Security

A security assignment of the following rights and claims (*Sicherungsabtretung und Sicherungsübereignung*) (the "**Assigned German Security**"):

- (a) all Purchased Loan Receivables together with any Related Security (including claims under any insurance policies to the extent such claims have been transferred to the Issuer as part of the Related Security) and all rights, claims and interests relating thereto, including, without limitation, the Mortgages;
- (b) all rights, claims and interests which the Issuer is now or may hereafter become entitled to against the Seller (as the case may be in its capacity as Pledgor) and/or any other party (other than the Security Trustee) pursuant to or in respect of the Transfer Documents and/or the Collection Account Pledge Agreement;
- (c) all rights, claims and interests which the Issuer is now or may hereafter become entitled to against the Master Servicer and/or the Back-up Servicing Facilitator and/or the Sub-Servicer and/or any other party (other than the Security Trustee) pursuant to or in respect of the Master Servicing Agreement or, as the case may be, the Sub-Servicing Agreement; and
- (d) all present and future rights, claims and interests which the Issuer is now or may hereafter become entitled with under any other Transaction Documents (to the extent governed by German law).

Pledged German Security

A pledge (*Verpfändung*) over the Issuer's present and future claims against the Security Trustee arising under (the "**Pledge German Security**"):

- (a) the German Security Agreement;
- (b) the Master Servicing Agreement and the Sub-Servicing Agreement; and
- (c) the other Transaction Documents (to the extent governed by German law).

Security Purpose

The German Security shall serve as collateral in order to secure the prompt, complete and irrevocable satisfaction of any and all Secured Obligations.

Enforcement

Following the service of a Enforcement Notice by the Note Trustee, the German Security shall be enforced by the Security Trustee in a manner determined in its discretion in accordance with the other Transaction Documents (where relevant) and applicable German law, in particular (without limitation) by (i) collecting, or arranging for the collection of, the German Security (or any of them) in its own name or for its own account, (ii) selling, or arranging for the sale of, the German Security (or any of them) and/or (iii) exercising any and all rights and claims transferred or assigned to the Security Trustee pursuant to the German Security Agreement.

Applicability of the Deed of Charge

All of the rights and protections conferred on the Security Trustee under the Deed of Charge shall also apply equally to the German Security Agreement. Any enforcement proceeds shall be distributed in accordance with the relevant provisions of the Deed of Charge.

Governing Law

The German Security Agreement shall be governed by, and construed in accordance with, the laws of Germany. Any non-contractual rights arising out of or in connection with the German Security Agreement shall also be governed by the laws of Germany.

The Collection Account Pledge Agreement

The Collection Account will be pledged in favour of the Issuer pursuant to the Collection Account Pledge Agreement in order to secure the claims of the Issuer against the Master Servicer, in particular under the Mortgage Sale Agreement.

By virtue of the Issuer assigning all of its rights and claims against the Seller under the German law governed Transaction Documents to the Security Trustee as part of the Assigned German Security under the German Security Agreement, the pledge over the Collection Account will be transferred to the Security Trustee as a matter of statutory German law due to its accessory nature (*Akzessorietät*).

Governing law

The Collection Account Pledge Agreement and any non-contractual obligations arising out of or in connection with it will be governed by German law.

The Trust Deed

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes and the Residual Certificates are subject to the provisions in the Trust Deed. The Conditions and the Residual Certificates Conditions and the forms of each Class of Notes and the Residual Certificates are each constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes and the Residual Certificates on trust for the Noteholders and the Certificateholders.

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

Retirement of Note Trustee

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without giving any reason therefor and without being responsible for any liabilities occasioned by such retirement. The holders of the Most Senior Class of Notes (or, if no Notes remain outstanding, the Certificateholders) may, by Extraordinary Resolution, remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement of the Note Trustee shall not become effective unless there remains a trust corporation entitled by rules made under the Public Trustee Act 1906 to carry out the functions of a custodian trustee (a "**Trust Corporation**") in office after such retirement or removal by Extraordinary Resolution. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement or the applicable Extraordinary Resolution of the holders of the Most Senior Class of Notes, the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed, but no such appointment shall take effect unless previously approved by Extraordinary Resolution of the holders of the Most Senior Class of Notes.

Governing Law

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

The Agency Agreement

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee and the Security Trustee, the Principal Paying Agent, the Registrar and the Agent Bank, provision is made for, inter alia, the payment of principal and interest in respect of the Notes.

Governing Law

The Agency Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

The Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer, the Master Servicer, the Swap Provider, and the Security Trustee will enter into a cash management agreement (the "**Cash Management Agreement**").

Cash Management Services to be provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer or, upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer, the Security Trustee. The Cash Manager's principal function will be effecting payments to and from the Issuer Account. In addition, the Cash Manager will, among other things:

- (a) on each Interest Payment Date prior to the delivery of an Enforcement Notice, apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and any Rated Note Reserve Fund Liquidity Release Amounts against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments;
- (b) on each Calculation Date determine if there would be an Interest Shortfall following the application of Available Revenue Receipts (disregarding for such purposes any Senior Principal Reallocation

Amounts) or a Residual Senior Shortfall following the application of Available Revenue Receipts, in each case on the immediately following Interest Payment Date;

- (c) on each Calculation Date, prior to service of an Enforcement Notice, determine whether the Pari Passu Conditions would be met on the immediately following Interest Payment Date;
- (d) on each Interest Payment Date on which the Pari Passu Conditions have been determined to have been met (in accordance with paragraph (c) above), determine when the Retained Hold Limit is reached on such Interest Payment Date;
- (e) on each Calculation Date, determine whether the immediately following Interest Payment Date is the Final Redemption Date;
- (f) record credits to, and debits from, the Ledgers, as and when required; and
- (g) if required (i) during the Determination Period, calculate the Interest Determination Ratio, the Calculated Revenue Receipts and the Calculated Principal Receipts; and (ii) following any Determination Period, upon receipt by the Cash Manager of the ECB Report in respect of such Determination Period, reconcile the calculations with the actual collections set out in the Servicer Reports by allocating the Reconciliation Amounts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*), Residual Certificates Condition 6.7 (*Termination of Payments*) and the Cash Management Agreement.

In addition, the Cash Manager will:

- (h) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:
 - (i) the "**Principal Ledger**", which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);
 - (ii) the "**Revenue Ledger**", which will record all Revenue Receipts, any Swap Collateral Account Surplus, amounts credited to the Issuer Account in accordance with the Pre-Enforcement Revenue Priority of Payments and amounts credited to the Issuer Account on the Closing Date from the proceeds of the Subordinated Noteholders' subscription of the Subordinated Notes received by the Issuer and the distribution of the Revenue Receipts and the distribution of any other relevant amounts recorded on the Revenue Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) or by way of Third Party Amounts;
 - (iii) the "**Rated Note Reserve Fund Ledger**", which will record amounts credited to, and debited from, the Rated Note Reserve Fund (the "**Rated Note Reserve Fund**"). The Rated Note Reserve Fund will be funded from part of the proceeds of the Subordinated Notes in an amount equal to the Rated Note Reserve Fund Required Amount on the Closing Date, and on each Interest Payment Date up to (but excluding) the Final Redemption Date, from amounts to be applied to the Rated Note Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments. The Cash Manager will maintain two sub-ledgers on the Rated Note Reserve Fund Ledger: the "**Rated Note Reserve Fund Liquidity Sub-Ledger**" and the "**Rated Note Reserve Fund Available Amounts Sub-Ledger**". Following the determination by the Cash Manager on each Calculation Date of the Rated Note Reserve Fund Required Liquidity Amount in respect of the immediately following Interest Payment Date, the Cash Manager shall record all amounts standing to the credit of the Rated Note Reserve Fund up to (and including) such Rated Note Reserve Fund Required Liquidity Amount to the Rated Note Reserve Fund Liquidity Sub-Ledger, and any amounts standing to the credit of the Rated Note Reserve Fund in excess of such Rated Note

Reserve Fund Required Liquidity Amount to the Rated Note Reserve Fund Available Amounts Sub-Ledger. On each Interest Payment Date (prior to service of an Enforcement Notice), the Cash Manager will, firstly, debit (i) an amount equal to the Rated Note Reserve Fund Available Amount from the Rated Note Reserve Fund Available Amounts Sub-Ledger to be applied as Available Revenue Receipts; and (ii) an amount equal to the Rated Note Reserve Fund Liquidity Release Amount (if any) from the Rated Note Reserve Fund Liquidity Sub-Ledger to be applied in meeting any Interest Shortfall against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order in which they appear in the Pre-Enforcement Revenue Priority of Payments and, secondly, following any such adjustments to the Rated Note Reserve Fund sub-ledgers, apply (on behalf of the Issuer) the Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments and credit to the Rated Note Reserve Fund Ledger the amount of Available Revenue Receipts applied on such Interest Payment Date to replenish the Rated Note Reserve Fund up to the Rated Note Reserve Fund Required Amount pursuant to item (p) of the Pre-Enforcement Revenue Priority of Payments.

On the Final Redemption Date, all amounts standing to the credit of the Rated Note Reserve Fund Ledger will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments (see "*Credit Structure – Rated Note Reserve Fund and Rated Note Reserve Fund Ledger*" below);

- (iv) the "**Principal Deficiency Ledger**", which will record on the appropriate sub-ledger as a debit deficiencies arising from Losses on the Portfolio (on the date the Cash Manager is informed of such Losses by the Master Servicer) and Senior Principal Reallocation Amounts (on the Calculation Date on which such Senior Principal Reallocation Amounts are determined by the Cash Manager) and record as a credit Available Revenue Receipts applied as Available Principal Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments (if any) on each Interest Payment Date;
- (v) the "**Issuer Profit Ledger**", which shall record as a credit any amounts retained by the Issuer as profit in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) and as a debit any amount used to discharge any tax liability of the Issuer;
- (vi) the "**Swap Collateral Ledger**", which shall record as a credit (A) any Swap Collateral received from the Swap Provider, (B) any Replacement Swap Premium received by the Issuer from a replacement swap provider, (C) any termination payment received by the Issuer from an outgoing Swap Provider, and (D) any Swap Tax Credits (and any debiting of the same in accordance with the Swap Collateral Account Priority of Payments). Amounts and securities standing to the credit of each Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) and recorded on the Swap Collateral Ledger will be applied by the Cash Manager in accordance with the Swap Collateral Account Priority of Payments;
- (i) calculate on each Calculation Date (prior to service of an Enforcement Notice) the amount of Available Revenue Receipts (including any Senior Principal Reallocation Amounts) to be applied on the immediately following Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Principal Priority of Payments (as applicable);
- (j) calculate on each Calculation Date up to and including the Calculation Date immediately preceding the Final Redemption Date (prior to the service of an Enforcement Notice) the amount of any Rated Note Reserve Fund Liquidity Release Amount to be applied on the immediately following Interest Payment Date (such amount to be determined after calculation of the Available Revenue Receipts to be applied on such Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority

of Payments on such Interest Payment Date (excluding any Senior Principal Reallocation Amount) and debited from the Rated Note Reserve Fund Liquidity Sub-Ledger); and

- (k) provide the Issuer, the Master Servicer, the Security Trustee, the Note Trustee, the Sub-Servicer, the Noteholders, the Certificateholders, the Rating Agencies and any prospective investors in the Notes with the Investor Report in respect of the immediately preceding three Collection Periods by 5.00pm on the Investor Reporting Date, provided that the Sub-Servicer shall have delivered the relevant ECB Report in respect of the immediately preceding Collection Period by no later than 1 pm two Business Days immediately preceding that Investor Reporting Date. "**Investor Reporting Date**" means the second Business Day immediately following the date on which the Cash Manager receives the ECB Report in each of April, July, October and January (commencing in October 2015) in accordance with Clause 7.3 of the Cash Management Agreement, provided that if such ECB Report is not received by the Cash Manager by 1.00 pm on the relevant date, the Investor Reporting Date shall be deemed to mean the third Business Day immediately following the date on which the Cash Manager received the ECB Report.

At the direction of the Master Servicer, the Cash Manager, on behalf of and in the name of the Issuer, may invest monies standing from time to time to the credit of the Issuer Account in Authorised Investments, subject to the following provisions:

- (a) any investment in any Authorised Investments shall be made in the name of the Issuer;
- (b) any costs incurred in making, changing or otherwise disposing of any investment in any Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and
- (c) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the Issuer Account.

The Cash Manager shall not be responsible (save where any loss results from the Cash Manager's own fraud, wilful default or gross negligence or that of its directors, officers or employees) for any loss occasioned by reason of any such investment in any Authorised Investments or any purported investment in any Authorised Investments whether by depreciation in value or otherwise, provided that any such investment in any Authorised Investments was made in accordance with the terms of the Cash Management Agreement.

Cash Manager and Directions from the Security Trustee

The Cash Manager will act upon the direction of the Security Trustee (given in accordance with the terms and provisions of the Deed of Charge) upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer.

Remuneration of Cash Manager

The Cash Manager will be paid a cash management fee for its cash management services under the Cash Management Agreement. Such fees will be determined under a separate fee letter between the Issuer and the Cash Manager. Any sum (or other consideration) payable (or provided) by the Issuer to the Cash Manager in respect of that fee shall be deemed to be exclusive of VAT, if any, chargeable on any supply for which the cash management fee is the consideration (in whole or in part) for VAT purposes. The cash management fee is payable in arrears on each Interest Payment Date in the manner contemplated by and in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments or, as the case may be, the Post-Enforcement Priority of Payments.

Termination of Appointment and Replacement of Cash Manager

If any of the following events ("**Cash Manager Termination Events**") shall occur:

- (a) default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- (b) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Note Trustee as notified to the Security Trustee is materially prejudicial to the interests of the Noteholders, and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- (c) any of the Cash Manager warranties in the Cash Management Agreement proves to be untrue, incomplete, or inaccurate, or any certification or statement made by the Cash Manager in any certificate or other document delivered pursuant to the Cash Management Agreement proves to be untrue, in each case, which in the opinion of the Note Trustee as notified to the Security Trustee is materially prejudicial to the interests of the Noteholders, and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- (d) an Insolvency Event occurs in respect of the Cash Manager;
- (e) it becomes unlawful for the Cash Manager to perform its obligations under the Cash Management Agreement or under any other Transaction Document; or
- (f) the Cash Manager is prevented from complying with its obligations under the Cash Management Agreement for 15 calendar days as a result of electricity power cuts, failure of international or domestic clearing or payment systems (where such failure arose out of the circumstances beyond its control and other than where such failure is specific to the Cash Manager), strikes, lock-outs, sit-ins, industrial disturbances (other than strikes, lock-outs, sit-ins and industrial disturbances which are specific to the Cash Manager lasting more than five days), earthquakes, storms, fire, flood, acts of God, insurrections, riots, epidemics, war, civil disturbances, governmental directions or regulations, or any other circumstances beyond the control of the Cash Manager,

then, prior to the delivery of an Enforcement Notice, the Issuer (with the written consent of the Security Trustee), or following the delivery of an Enforcement Notice, the Security Trustee, may, at once or at any time thereafter while such default continues, by notice in writing to the Cash Manager (with a copy to the Security Trustee if such notice is delivered by the Issuer and with a copy to the Issuer if such notice is delivered by the Security Trustee), terminate its appointment as Cash Manager under the Cash Management Agreement with effect from a date (not earlier than the date of the notice) specified in such notice. In determining whether to give or withhold consent to the termination of the Cash Manager by the Issuer, the Security Trustee will have regard to factors including, inter alia, the availability of a substitute cash manager. Upon termination of the appointment of the Cash Manager, the Issuer shall use reasonable endeavours to appoint a substitute cash manager that satisfies the conditions set out below.

"Insolvency Event" will occur in respect of an entity in the following circumstances:

- (a) an order is made or an effective resolution passed for the winding-up of the relevant entity (or it proposes or makes any composition or arrangement with its creditors); or

- (b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a Receiver is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the relevant entity is unable to pay its debts as they fall due or it is deemed under section 123 of the Insolvency Act 1986 to be unable to pay its debts or announces an intention to suspend making payments with respect to any class of undisputed debts; or
- (e) if proceedings are initiated against the relevant entity under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant entity or, as the case may be, in relation to the whole or any part of the undertaking or assets of any relevant entity, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order), unless initiated by the relevant entity, is not discharged within 30 days; or
- (f) any analogous procedure or step is taken in any jurisdiction;

"Insolvency Proceedings" means in respect of any person:

- (a) it is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (b) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities); or
- (c) a moratorium is declared in respect of any of its indebtedness;

"Insolvency Regulation" means European Council Regulation (EC) No. 1346 of 29 May 2000 on insolvency proceedings, as amended and supplemented from time to time.

Any substitute cash manager:

- (a) must have the requisite cash management experience to perform the functions to be given to it under the Cash Management Agreement and be approved by the Issuer and the Security Trustee;
- (b) must agree to enter into a cash management agreement with the Issuer substantially on the terms of the Cash Management Agreement, and at fees which are consistent with those payable generally at the relevant time for the provision of cash management services for transactions similar to this transaction;
- (c) must be resident for tax purposes solely in the United Kingdom and not act through a German permanent establishment or German permanent agent (other than an independent agent acting in the ordinary course of its business); and
- (d) (if the Rated Notes remain outstanding) must be a party that the Rating Agencies have previously confirmed by whatever means such Rating Agencies consider appropriate (provided that the Issuer is

permitted to and does confirm in writing (including by email) to the Security Trustee that such confirmation has been obtained) the appointment of which will not cause the then current ratings of the Rated Notes to be adversely affected.

For the avoidance of doubt, upon termination of the appointment of the Cash Manager following a Cash Manager Termination Event, if the Issuer is unable to find a suitable third party willing to act as a substitute cash manager, this shall not constitute any breach of the provisions of the Cash Management Agreement.

Resignation of the Cash Manager

The Cash Manager may resign on giving not less than 60 days' written notice (or such shorter time as may be agreed between the Cash Manager, the Issuer, the Master Servicer and the Security Trustee) of its resignation to the Issuer, the Master Servicer, the Note Trustee and the Security Trustee without providing any reason therefor and without being responsible for any liability incurred by reason thereof, provided that any substitute cash manager:

- (a) must have the requisite cash management experience to perform the functions to be given to it under the Cash Management Agreement and be approved by the Issuer and the Security Trustee;
- (b) must agree to enter into a cash management agreement with the Issuer substantially on the terms of the Cash Management Agreement, and at fees which are consistent with those payable generally at the relevant time for the provision of cash management services for transactions similar to this transaction;
- (c) must be resident for tax purposes solely in the United Kingdom and not act through a German permanent establishment or permanent agent (other than an independent agent acting in the ordinary course of its business); and
- (d) (if the Rated Notes remain outstanding) must be a party that the Rating Agencies have previously confirmed by whatever means such Rating Agencies consider appropriate (provided that the Issuer is permitted to and does confirm in writing (including by email) to the Security Trustee that such confirmation has been obtained) the appointment of which will not cause the then current ratings of the Rated Notes to be adversely affected.

Governing Law

The Cash Management Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

The Bank Account Agreement

Pursuant to the terms of a bank account agreement entered into on or about the Closing Date between the Issuer, the Issuer Account Bank, the Cash Manager and the Security Trustee (the "**Bank Account Agreement**"), the Issuer will maintain, with the Issuer Account Bank, the Issuer Account and the Swap Collateral Account, which will be operated in accordance with the Cash Management Agreement and the Deed of Charge and, in relation to the Swap Collateral Account, the Swap Agreement. The Issuer Account Bank is required to have the Account Bank Rating.

Governing Law

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

The Corporate Services Agreement

On or prior to the Closing Date, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings, the Servicer and the Security Trustee will enter into a corporate services agreement (the "**Corporate Services Agreement**") pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, inter alia, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), providing the directors with office equipment and communication devices as well as information in connection with the Issuer and Holdings, and the arrangements for the convening of shareholders' and directors' meetings.

Governing Law

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Other Agreements

For a description of the Swap Agreement, see "*Credit Structure*" below.

CREDIT STRUCTURE

The Notes are obligations of the Issuer only. The Notes are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes are not obligations of, or the responsibility of, or guaranteed by, any of the Relevant Parties. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Relevant Parties or by any other person other than the Issuer.

The structure of the credit support arrangements may be summarised as follows:

1. **Liquidity Support for the Notes provided by Available Revenue Receipts**

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Mortgage Loans will, assuming that all of the Mortgage Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (w) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess payable to the Certificateholders under item (x) of the Pre-Enforcement Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Mortgage Loans in the Portfolio relative to the interest rates on the Notes (taking into account amounts due to or by the Issuer pursuant to the terms of the Swap Agreement) (as to which, see "*Interest Rate Risk*" below) and the performance of the Portfolio.

Available Revenue Receipts will be applied (after making payments ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio and from the application of Available Principal Receipts as Senior Principal Reallocation Amounts to cure any Residual Senior Shortfall in accordance with item (a) of the Pre-Enforcement Principal Priority of Payments.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments required to be met under items (a) to (o) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish the Rated Note Reserve Fund up to an amount equal to the Rated Note Reserve Fund Required Amount.

2. **Rated Note Reserve Fund and Rated Note Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a fund which will be credited with the Rated Note Reserve Fund Required Amount from part of the proceeds of the Subordinated Noteholders' subscription for the Subordinated Notes on the Closing Date (the "**Rated Note Reserve Fund**") to provide liquidity and credit enhancement support for the Rated Notes. The Rated Note Reserve Fund will be deposited in the Issuer Account (with a corresponding credit or debit (as the case may be) being made to the Rated Note Reserve Fund Ledger). The Issuer may invest the amounts standing to the credit of the Rated Note Reserve Fund from time to time in Authorised Investments. For more information about the application of the amounts standing to the credit of the Rated Note Reserve Fund, see the section "*Cashflows – Application of Monies released from the Rated Note Reserve Fund*" below.

The Cash Manager will maintain the Rated Note Reserve Fund Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Rated Note Reserve Fund. The Cash Manager will maintain two sub-ledgers on the Rated Note Reserve Fund Ledger (being the Rated Note Reserve Fund Liquidity Sub-Ledger and the Rated Note Reserve Fund Available Amounts Sub-Ledger).

After the Closing Date, on each Interest Payment Date up to (but excluding) the Final Redemption Date prior to the service of an Enforcement Notice, the Rated Note Reserve Fund will be replenished up to the Rated Note Reserve Fund Required Amount from Available Revenue Receipts (to the extent available) in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments.

Following the determination by the Cash Manager on each Calculation Date of the Rated Note Reserve Fund Required Liquidity Amount in respect of the immediately following Interest Payment Date, the Cash Manager shall (i) record all amounts standing to the credit of the Rated Note Reserve Fund up to (and including) such Rated Note Reserve Fund Required Liquidity Amount to the Rated Note Reserve Fund Liquidity Sub-Ledger, and all amounts standing to the credit of the Rated Note Reserve Fund in excess of such Rated Note Reserve Fund Required Liquidity Amount to the Rated Note Reserve Fund Available Amounts Sub-Ledger and (ii) following such adjustments to the Rated Note Reserve Fund sub-ledgers, determine the Rated Note Reserve Fund Available Amount for application as Available Revenue Receipts on the immediately following Interest Payment Date.

On each Interest Payment Date up to (but excluding) the Final Redemption Date, the Cash Manager will apply as Available Revenue Receipts the Rated Note Reserve Fund Available Amount (as determined on the immediately preceding Calculation Date).

On any Calculation Date (prior to the service of an Enforcement Notice), if the Cash Manager determines that on the immediately following Interest Payment Date, there would be an Interest Shortfall after applying Available Revenue Receipts (excluding any Senior Principal Reallocation Amounts) on such Interest Payment Date, the Cash Manager will apply on such Interest Payment Date an amount from the Rated Note Reserve Fund equal to the lesser of:

- (a) the amount standing to the credit of the Rated Note Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date (for the avoidance of doubt, prior to any amounts being debited from the Rated Note Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date); and
- (b) the amount of such Interest Shortfall,

(such amount being the "**Rated Note Reserve Fund Liquidity Release Amount**"), in meeting such Interest Shortfall against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments.

The "**Interest Shortfall**" shall, on any Interest Payment Date, be an amount equal to the aggregate of:

- (a) any shortfall in Available Revenue Receipts (and, for this purpose, without regard to any Senior Principal Reallocation Amounts) to pay items (a) to (f) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;
- (b) if:
 - (i) (A) the Class B Notes are not the Most Senior Class of Notes; or
 - (B) the debit balance on the Class B Principal Deficiency Sub-Ledger on such Interest Payment Date is zero (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

- (ii) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 35.2% of the aggregate Current Balance of the Mortgage Loans comprised in the Portfolio on the Closing Date,

any shortfall in Available Revenue Receipts to pay item (h) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

(c) if:

- (i) (A) the Class C Notes are not the Most Senior Class of Notes; or

(B) the debit balance on the Class C Principal Deficiency Sub-Ledger on such Interest Payment Date is zero (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

- (ii) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 26.6% of the aggregate Current Balance of the Mortgage Loans comprised in the Portfolio on the Closing Date,

any shortfall in Available Revenue Receipts to pay item (j) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

(d) if:

- (i) (A) the Class D Notes are not the Most Senior Class of Notes; or

(B) the debit balance on the Class D Principal Deficiency Sub-Ledger on such Interest Payment Date is zero (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

- (ii) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 18.7% of the aggregate Current Balance of the Mortgage Loans comprised in the Portfolio on the Closing Date,

any shortfall in Available Revenue Receipts to pay item (l) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

(e) if:

- (i) (A) the Class E Notes are not the Most Senior Class of Notes; or

(B) the debit balance on the Class E Principal Deficiency Sub-Ledger on such Interest Payment Date is zero (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

- (ii) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 14.5% of the aggregate Current Balance of the Mortgage Loans comprised in the Portfolio on the Closing Date,

any shortfall in Available Revenue Receipts to pay item (n) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date,

in each case, as determined by the Cash Manager on the immediately preceding Calculation Date.

The "**Rated Note Reserve Fund Available Amount**" on any Interest Payment Date will be an amount equal to the greater of:

- (a) zero; and
- (b) the amount standing to the credit of the Rated Note Reserve Fund Ledger on such Interest Payment Date (for the avoidance of doubt, prior to any amounts being debited from the Rated Note Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date), less the Rated Note Reserve Fund Required Liquidity Amount on such Interest Payment Date.

The "**Rated Note Reserve Fund Required Amount**" on any Interest Payment Date up to (but excluding) the Final Redemption Date will be an amount equal to 3.6% of the Principal Amount Outstanding of the Rated Notes as at the Closing Date and, on each Interest Payment Date following the Final Redemption Date, zero. On the Closing Date, the Rated Note Reserve Fund Required Amount will be equal to €6,359,040. On the Closing Date, the Rated Note Reserve Fund will be funded by the Subordinated Notes up to €1,770,000 (being 1.0% of the Principal Amount Outstanding of the Rated Notes as at the Closing Date).

On the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

The "**Rated Note Reserve Fund Required Liquidity Amount**" will be:

- (a) on any Interest Payment Date up to (but excluding) the Final Redemption Date, an amount equal to 3.6% of the Principal Amount Outstanding of the Rated Notes on such Interest Payment Date prior to application of the Available Principal Receipts and the Available Principal Receipts in accordance with the applicable Priority of Payments on such Interest Payment Date; and
- (b) on each Interest Payment Date following the Final Redemption Date, zero.

3. Use of Available Principal Receipts to pay Residual Senior Shortfall

On each Calculation Date prior to the service of an Enforcement Notice, and with reference to the immediately following Interest Payment Date, the Cash Manager will calculate whether (after application of Available Revenue Receipts (excluding for these purposes any Senior Principal Reallocation Amounts and any Excess Principal Amounts) and any Rated Note Reserve Fund Liquidity Release Amount to meet any Interest Shortfall) there will be a shortfall in amounts available to pay items (a) to (f) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date. If the Cash Manager determines that there will be a shortfall (the "**Residual Senior Shortfall**"), then pursuant to item (a) of the Pre-Enforcement Principal Priority of Payments, the Cash Manager on behalf of the Issuer shall apply the Senior Principal Reallocation Amount as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

Any Available Principal Receipts applied as Senior Principal Reallocation Amounts will be recorded as a debit on the Principal Deficiency Ledger (as further described below).

For more information about the application of Available Principal Receipts to pay Residual Senior Shortfalls, see the section "*Cashflows – Application of Available Principal Receipts to cure a Residual Senior Shortfall*".

4. Available Revenue Receipts and Available Principal Receipts

Available Revenue Receipts and Available Principal Receipts shall be applied on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments, respectively. Other than amounts which the Issuer expects to generate in each accounting period as its profit in respect of the business of the Issuer, amounts standing to the credit of the Rated Note Reserve Fund Liquidity Sub-Ledger (other than any amounts representing the Rated Note Reserve Fund Liquidity Release Amounts) and the Swap Collateral Ledger (if any), it is not intended that any surplus will be accumulated in the Issuer.

If, on any Interest Payment Date while there are Rated Notes outstanding, the Issuer has insufficient amounts available to pay the interest that would otherwise be payable absent the deferral provisions in respect of the Notes other than in respect of the Most Senior Class of Notes, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. Any such deferral in accordance with the deferral provisions contained in the Conditions will not constitute an Event of Default. However, failure to pay interest on the Most Senior Class of Notes within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

5. Interest Rate Risk for the Notes

Swap Agreement

On or about the Closing Date, the Issuer and the Swap Provider will enter into an ISDA Master Agreement (including a schedule and credit support annex thereto) and a confirmation (each as amended or supplemented from time to time) relating to the Swap Transaction (the "**Swap Agreement**").

"**ISDA Master Agreement**" means the 1992 ISDA Master Agreement (Multicurrency – Cross Border), as published by ISDA.

Swap Transaction

The Mortgage Loans in the Portfolio pay a fixed rate of interest. However, the Issuer's liabilities under the Notes are based on EURIBOR for the relevant period.

To provide a hedge against the possible variance between:

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

the Issuer will enter into the Swap Transaction with the Swap Provider under the Swap Agreement on the Closing Date.

The Swap Transaction will have a scheduled maturity of eight years. The Swap Transaction will, if not terminated early in accordance with the terms of the Swap Agreement, terminate on the Swap Payment Date falling in July 2023 (the "**Scheduled Swap Termination Date**"). No termination payment will be paid to or by the Issuer under the Swap Agreement where the Swap Transaction terminates on the Scheduled Swap Termination Date.

Under the Swap Transaction, for each Swap Calculation Period falling prior to the Scheduled Swap Termination Date, the following amounts will be calculated:

- (a) the amount produced by applying three month (or, in respect of the first period, the linear interpolation of three and six month) EURIBOR to the Notional Amount (as defined below) of the Swap Transaction for the relevant Swap Calculation Period and multiplying the resulting amount by the Day Count Fraction (as defined below) (the "**Swap Provider Swap Amount**"); and
- (b) the amount produced by applying a Fixed Rate (as defined in the Swap Agreement) to the Notional Amount of the Swap Transaction for the relevant Swap Calculation Period and multiplying the resulting amount by the Day Count Fraction (the "**Issuer Swap Amount**").

After these two amounts are calculated in relation to a Swap Payment Date, the following payments will be made on that Swap Payment Date:

- (a) if the Swap Provider Swap Amount for that Swap Payment Date is greater than the Issuer Swap Amount for that Swap Payment Date, then the Swap Provider will pay an amount equal to the excess to the Issuer;
- (b) if the Issuer Swap Amount for that Swap Payment Date is greater than the Swap Provider Swap Amount for that Swap Payment Date, then the Issuer will pay an amount equal to the excess to the Swap Provider; and
- (c) if the two amounts are equal, neither party will make a payment to the other.

For the purposes of determining the amounts payable under the Swap Transaction the following definitions apply:

"Day Count Fraction" means in respect of any Swap Calculation Period, the number of calendar days in that Swap Calculation Period divided by 360;

"Fixed Interest Reference Date" means in respect of any Swap Calculation Period (other than the first Swap Calculation Period), the first calendar day of July, October, January and April in each year, provided that the first Fixed Interest Reference Date means 17 July 2015;

"Notional Amount" means:

- (a) in respect of each Swap Calculation Period (other than the first Swap Calculation Period), an amount notified by the Master Servicer in Euro equal to the aggregate Outstanding Principal Balance of the Performing Mortgage Loans in the Portfolio on the basis of the start of day position on the Fixed Interest Reference Date immediately preceding the relevant Swap Calculation Period, as adjusted to reflect any repurchases by the Seller in accordance with the Mortgage Sale Agreement that take effect on or prior to the Calculation Date immediately preceding the immediately preceding Calculation Date (if applicable); and
- (b) in respect of the first Swap Calculation Period, an amount notified by the Master Servicer in Euro equal to the aggregate Outstanding Principal Balance of the Performing Mortgage Loans in the Portfolio on the basis of the start of day position on the first Fixed Interest Reference Date.

"Performing Mortgage Loans" means the Mortgage Loans which, as at the relevant Fixed Interest Reference Date, are not more than three months in arrears.

"Swap Calculation Period" means (other than the first Swap Calculation Period), each period that commences on (and includes) a Swap Payment Date and ends on (but excludes) the immediately following Swap Payment Date and in respect of the first Swap Calculation Period, means the period

commencing on (and including) the Closing Date and ending on (but excluding) the Swap Payment Date falling in October 2015; and

"Swap Payment Date" means 27 July, 27 October, 27 January and 27 April in each year commencing on 27 October 2015 and ending on the Scheduled Swap Termination Date, in each case subject to adjustment in accordance with the modified following business day convention as set out in the Swap Agreement.

General

If a payment is made by the Swap Provider (other than (i) any early termination amount received by the Issuer under the Swap Agreement, (ii) any Swap Collateral, (iii) any Replacement Swap Premium paid to the Issuer, and (iv) amounts in respect of Swap Tax Credits other than, in each case, any Swap Collateral Account Surplus which is to be applied as Available Revenue Receipts in accordance with the Swap Collateral Account Priority of Payments), that payment will be included in the Available Revenue Receipts and will be applied on the relevant Swap Payment Date according to the applicable Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the applicable Priority of Payments of the Issuer.

Under the terms of the Swap Agreement, in the event that the relevant rating(s) of the Swap Provider assigned by a Rating Agency fall(s) below the required swap rating (the **"Required Swap Rating"**) (as to which see further the section entitled *"Transaction Overview – Triggers Tables"*), the Swap Provider will, in accordance with the Swap Agreement, be required to take certain remedial measures within the timeframe stipulated in the Swap Agreement and at its own cost, which may include providing collateral for its obligations under the Swap Transaction, arranging for its obligations under the Swap Transaction to be transferred to an entity with the Required Swap Ratings or procuring another entity with the Required Swap Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Transaction.

The Swap Transaction, prior to the Scheduled Swap Termination Date, maybe terminated in certain circumstances, including the following, each as more specifically defined in the Swap Agreement (an **"Early Termination Event"**):

- (a) if there is a failure by a party to pay amounts due under the Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to the Swap Provider or the Issuer;
- (c) if a material misrepresentation is made by the Swap Provider under the Swap Agreement;
- (d) if a breach of a provision of the Swap Agreement by the Swap Provider is not remedied within the applicable grace period;
- (e) if a change of law results in the obligations of one of the parties becoming illegal;
- (f) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Swap Transaction due to a change in law;
- (g) if the Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement and described above;
- (h) service by the Note Trustee of an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes;

- (i) if there is a redemption of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in full*), 8.4 (*Mandatory Redemption in full pursuant to a Majority Certificateholder Portfolio Purchase Option*), Condition 8.5 (*Optional Redemption for Taxation or Other Reasons*) or Condition 8.6 (*Refinancing Call Option*); and
- (j) if the Priorities of Payments is amended, other than in accordance with the Deed of Charge, such that the Swap Provider's obligations to the Issuer under the Swap Agreement are further contractually subordinated to the Issuer's obligations to any Secured Creditor.

Under the terms of the Swap Agreement, upon an early termination of the Swap Transaction, depending on the type of Early Termination Event and the circumstances prevailing at the time of termination, the Issuer or the Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Euro. The amount of any termination payment may reflect, among other things, the cost of entering into a replacement transaction at the time, third party market data such as rates, prices, yields and yield curves, or similar information derived from internal sources of the party making the determination and will include any unpaid amounts that became due and payable on or prior to the date of termination.

Depending on the terms of the Swap Transaction and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available for paying amounts due to the Noteholders.

The Issuer is not obliged under the Swap Agreement to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under the Swap Transaction.

The Swap Provider will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by it under the Swap Agreement. However, if the Swap Provider is required to gross up a payment under the Swap Agreement due to a change in the law, the Swap Provider may terminate the Swap Agreement.

If the Swap Transaction terminates on the Scheduled Swap Termination Date, rather than terminating on the basis of an Early Termination Event, a termination payment will not be payable to or by the Issuer under the Swap Agreement.

Swap Replacement Facilitator

For so long as any Rated Notes remain outstanding, Macquarie Bank Limited, London Branch will be appointed as the Swap Replacement Facilitator to assist the Issuer with identifying an eligible swap counterparty to assist the Issuer in entering into a new swap agreement upon the termination of the above Swap Agreement. Where the Swap Agreement has terminated on the Scheduled Swap Termination Payment, the Issuer may, with the assistance of the Swap Replacement Facilitator, enter into a replacement swap on then current market terms, provided that the entry into of any such replacement swap will be subject to confirmation that the same will not have an adverse effect on the then current rating of the Rated Notes.

Governing Law

The Swap Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

CASHFLOWS

Definition of Revenue Receipts

"**Revenue Receipts**" means (a) payments of interest and other fees due from time to time under the Mortgage Loans (including any Early Repayment Charges) and other amounts received by the Issuer in respect of the Purchased Loan Receivables and their Related Security other than payments of interest, fees and other amounts comprising Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Mortgage Loans being enforced, (c) recoveries of all amounts from defaulting Borrowers under Mortgage Loans following enforcement and sale of the relevant property, (d) the proceeds of repurchase or Loan Indemnity Warranty Payment attributable to Accrued Interest and Arrears of Interest only of any Purchased Loan Receivables and Related Security repurchased by the Seller (or MBL or one of its subsidiaries) from the Issuer or in respect of which the Loan Indemnity Warranty Payment has been made, in each case pursuant to the Mortgage Sale Agreement and (e) such (i) portion of the Majority Certificateholder Portfolio Purchase Option Purchase Price as is required to ensure payment in full of all amounts payable under items (a) to (t) (inclusive) (but excluding item (p) of the Pre-Enforcement Revenue Priority of Payments) after taking into account any part of the Majority Certificateholder Portfolio Purchase Option Price provided for in (d) above and any other Available Revenue Receipts otherwise available to the Issuer and (ii) proceeds from the issuance of the Refinancing Notes as is required to ensure payment in full of all amounts payable under items (a) to (t) (but excluding item (p) of the Pre-Enforcement Revenue Priority of Payments) after taking into account any other Available Revenue Receipts otherwise available to the Issuer.

Definition of Available Revenue Receipts

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

- (a) Revenue Receipts or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date received (i) during the immediately preceding Collection Period (after deducting, in the case of the first Collection Period only, an amount equal to any Retained Accrued Interest), or (ii) if representing amounts received in respect of any repurchases of Purchased Loan Receivables and their Related Security by the Seller pursuant to the Mortgage Sale Agreement, from but excluding the Calculation Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including (A) the immediately preceding Calculation Date or (B) in respect of a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in full*), on such Interest Payment Date;
- (b) amounts received or to be received by the Issuer under or in connection with the Swap Agreement (other than (i) any early termination amount received by the Issuer under the Swap Agreement, (ii) any Swap Collateral, (iii) any Replacement Swap Premium paid to the Issuer, and (iv) any amounts in respect of Swap Tax Credits on such Interest Payment Date, other than, in each case, any Swap Collateral Account Surplus which is to be applied as Available Revenue Receipts in accordance with the Swap Collateral Account Priority of Payments);
- (c) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period (other than any amount of interest or income received in respect of any Swap Collateral) and income from any Authorised Investments to be received on or prior to the Interest Payment Date (other than any amount of income received in respect of the Swap Collateral);

- (d) any Senior Principal Reallocation Amounts (save that such amounts shall not be included in the calculation of Available Revenue Receipts for the purposes of determining any Interest Shortfall or any Residual Senior Shortfall on the relevant date);
- (e) the Rated Note Reserve Fund Available Amount;
- (f) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 6.9(c);
- (g) amounts credited to the Issuer Account on the previous Interest Payment Date in accordance with item (w) of the Pre-Enforcement Revenue Priority of Payments;
- (h) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts;
- (i) Excess Principal Receipts; and
- (j) on the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger (other than those amounts already taken into consideration in (e) above);

less:

- (k) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - (i) certain costs and expenses charged by the Master Servicer in respect of its servicing of the Mortgage Loans, and not otherwise covered by items (iii) to (vi) below;
 - (ii) payments that do not relate to Purchased Loan Receivables and their Related Security;
 - (iii) payments of certain insurance premiums in respect of the insurance policies (to the extent referable to the Mortgage Loans);
 - (iv) amounts that have been received under a Direct Debit (including, without limitation, by the Seller) which are to be repaid to the account holding bank because such Direct Debit has been rejected or returned;
 - (v) amounts under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited; and
 - (vi) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower,
 (items within (k) being collectively referred to herein as "**Third Party Amounts**");
- (l) any tax payments paid or payable by the Issuer during the immediately preceding Collection Period to the extent not funded from amounts standing to the credit of the Issuer Profit Ledger; and
- (m) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the Collection Account or to pay any amounts due to the Collection Account Bank.

Application of Monies released from the Rated Note Reserve Fund

On each Interest Payment Date up to (but excluding) the Final Redemption Date and prior to service of an Enforcement Notice on the Issuer, (i) the Rated Note Reserve Fund Available Amount will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (ii) an amount equal to the Rated Note Reserve Fund Liquidity Release Amount will be applied on each Interest Payment Date to meet any Interest Shortfall existing on such Interest Payment Date against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments. On the Final Maturity Date all amounts standing to the credit of the Rated Note Reserve Fund Ledger will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments. Following service of an Enforcement Notice on the Issuer, all amounts standing to the credit of the Rated Note Reserve Fund Ledger will be applied in accordance with the Post-Enforcement Priority of Payments.

Application of Available Principal Receipts to cure a Residual Senior Shortfall

Prior to service of an Enforcement Notice on the Issuer, if the Cash Manager calculates on any Calculation Date that, following the application of Available Revenue Receipts (excluding for these purposes an Senior Principal Reallocation Amount) and any Rated Note Reserve Fund Liquidity Release Amounts on the following Interest Payment Date there would be a Residual Senior Shortfall, the Issuer shall apply Available Principal Receipts (to the extent available) as Senior Principal Reallocation Amounts pursuant to item (a) of the Pre-Enforcement Principal Priority of Payments to cure such Residual Senior Shortfall on such Interest Payment Date, and such amounts will be applied as Available Revenue Receipts on such Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments.

If any Senior Principal Reallocation Amounts are applied on any Interest Payment Date in accordance with item (a) of the Pre-Enforcement Principal Priority of Payments, the Issuer (or the Cash Manager on its behalf) will make a corresponding debit entry in the Principal Deficiency Ledger.

Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer

On each relevant Interest Payment Date prior to the service of an Enforcement Notice by the Note Trustee on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply or provide for the application of the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Enforcement Revenue Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the German Security Agreement and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof (in each case without double counting) of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses then due to them under the

provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

- (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) on a *pro rata* and *pari passu* basis, any amounts then due and payable to the Master Servicer in respect of the Senior Master Servicing Fees and any fees, costs, charges, liabilities and expenses then due under the provisions of the Master Servicing Agreement (other than in respect of the Junior Master Servicing Fees), together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Back-up Servicing Facilitator and any fees, costs, charges, liabilities and expenses then due to the Back-up Servicing Facilitator under the provisions of the Master Servicing Agreement (other than in respect of the Junior Master Servicing Fees), together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and
 - (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein.
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) including any amounts required to pay or discharge any liability of the Issuer for tax which is not otherwise provided for in the Transaction Documents;
- (d) *fourth*, to pay amounts due to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied (i) by the payment by the Issuer to the Swap Provider of any Replacement Swap Premium received by the Issuer from a replacement swap provider, or (ii) from the Swap Collateral Account Priority of Payments but excluding any related Hedge Subordinated Amounts);
- (e) *fifth*, to pay the Issuer an amount equal to €400 to be retained by the Issuer as profit in respect of the business of the Issuer (the "**Issuer Profit Amount**");
- (f) *sixth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class A Notes;
- (g) *seventh*, (so long as the Class A Notes remain outstanding following such Interest Payment Date), to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (h) *eighth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class B Notes;
- (i) *ninth*, (so long as the Class B Notes remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);

- (j) *tenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class C Notes;
- (k) *eleventh*, (so long as the Class C Notes remain outstanding following such Interest Payment Date), to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (l) *twelfth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class D Notes;
- (m) *thirteenth*, (so long as the Class D Notes remain outstanding following such Interest Payment Date), to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (n) *fourteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class E Notes;
- (o) *fifteenth*, (so long as the Class E Notes remain outstanding following such Interest Payment Date), to credit the Class E Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (p) *sixteenth*, other than on the Final Redemption Date or the Final Maturity Date, to credit the Rated Note Reserve Fund Ledger up to the Rated Note Reserve Fund Required Amount;
- (q) *seventeenth*, (so long as the Class F Notes remain outstanding following such Interest Payment Date), to credit the Class F Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (r) *eighteenth*, to credit the OC Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Revenue Receipts);
- (s) *nineteenth*, the Junior Master Servicing Fee due and payable to the Master Servicer and any fees, costs, charges, liabilities and expenses then due under the provisions of the Master Servicing Agreement in respect of the Junior Master Servicing Fee, together with (if payable) VAT thereon as provided therein;
- (t) *twentieth*, in accordance with the terms of the Swap Agreement to the Swap Provider in respect of any Hedge Subordinated Amounts (to the extent not satisfied (i) by payment to the Swap Provider by the Issuer of any applicable Replacement Swap Premium received by the Issuer from a replacement swap provider, or (ii) from the Swap Collateral Account Priority of Payments);
- (u) *twenty-first*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class F Notes;
- (v) *twenty-second*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Subordinated Notes;
- (w) *twenty-third*, on any Interest Payment Date falling within a Determination Period, all remaining amounts to be credited to the Issuer Account to be applied on the next Interest Payment Date as Available Revenue Receipts; and
- (x) *twenty-fourth*, any excess amounts *pro rata* and *pari passu* to the holder of the Residual Certificates.

As used in this Prospectus:

"**Accrued Interest**" means in respect of a Mortgage Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Mortgage Loan from (and including) the monthly payment date immediately preceding the relevant date to (but excluding) the relevant date.

"**Appointee**" means any attorney, manager, agent, delegate, nominee, custodian, financial adviser or other professional adviser or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge or the German Security Agreement (as applicable) to discharge any of its functions.

"**Arrears of Interest**" means as at any date in respect of any Mortgage Loan, the aggregate of all interest (other than Capitalised Amounts) on that Mortgage Loan which is currently due and payable and unpaid on that date.

"**Early Repayment Charge**" means any early repayment charge or charges payable by any Borrower and calculated on the basis provided in any agreement (including a Mortgage, Mortgage Deed and/or Loan Agreement) in relation to a Mortgage Loan between the relevant lender and a Borrower ("**Mortgage Documents**") in the event that such Borrower repays all or any part of its Mortgage Loan, voluntarily or to the extent recovered following an enforcement event under the relevant Mortgage Loan, at any time before the end of the term of the related Mortgage.

"**Junior Master Servicing Fee**" means the fee of €30,000 (per annum) (plus VAT, if any) paid by the Issuer to the Master Servicer for performing the Master Servicer Services.

"**Master Servicing Fee**" means the Senior Master Servicing Fee and the Junior Master Servicing Fee.

"**Senior Master Servicing Fee**" means the fee equal to €30,000 (per annum) paid by the Issuer to the Master Servicer for performing the Master Servicer Services plus the Sub-Servicing Component of the Senior Master Servicing Fee (being an amount equal to the fees payable by Macquarie Bank Limited, London Branch to the Sub-Servicer in consideration for the provision of the Sub-Services by the Sub-Servicer to the Master Servicer pursuant to the Sub-Servicer Fee Schedule under the Sub-Servicing Agreement) (plus VAT, if any).

Definition of Principal Receipts

"**Principal Receipts**" means (a) principal repayments under the Mortgage Loans (including payments of arrears of principal and Capitalised Amounts), (b) recoveries of principal from defaulting Borrowers under Mortgage Loans being enforced, (c) recoveries of principal from defaulting Borrowers under Mortgage Loans in respect of which enforcement procedures relating to the sale of the property and the Related Security have been completed (including the proceeds of sale of the relevant Property, to the extent such proceeds of sale are deemed to be principal but excluding all amounts received following a sale of the relevant Property), (d) any payment pursuant to any insurance policy in respect of a Property in connection with a Mortgage Loan in the Portfolio, to the extent such payment is deemed to be principal, (e) the proceeds of the repurchase of any Purchased Loan Receivables and Related Security and any Loan Indemnity Warranty Payment (but for the avoidance of doubt, excluding amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date or at the date on which the Loan Indemnity Warranty Payment is made), (f) such portion of any Majority Certificateholder Portfolio Purchase Option Purchase Price or any proceeds of the Refinancing Notes which does not comprise Revenue Receipts pursuant to sub-paragraph (e) of the definition thereof and (g) any other payment received by the Issuer in the nature of principal.

"**Capitalised Amounts**" means, in relation to a Mortgage Loan, at any date, amounts which are due or overdue in respect of that Mortgage Loan (other than any principal amounts) and which as at that date have been capitalised in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant

Borrower and any other amounts (including fees and expenses), capitalised in accordance with the Capitalisation Policy.

"Hedge Subordinated Amounts" means, in relation to the Swap Agreement, the amount of any termination payment due and payable to the Swap Provider as a result of a Swap Provider Default or a Swap Provider Downgrade Event except to the extent such amount has already been paid pursuant to the Swap Collateral Account Priority of Payments.

"Replacement Swap Agreement" means an agreement between the Issuer and a replacement swap provider to replace the Swap Transaction.

"Replacement Swap Premium" means an amount received by the Issuer from a replacement swap provider, or an amount paid by the Issuer to a replacement swap provider, upon entry by the Issuer into a Replacement Swap Agreement.

"Swap Collateral" means the collateral provided by the Swap Provider to the Issuer under the Swap Agreement and includes any interest and distributions in respect thereof.

"Swap Provider Default" means the occurrence of an Event of Default (as defined in the Swap Agreement) where the Swap Provider is the defaulting party (as defined in the Swap Agreement).

"Swap Provider Downgrade Event" means the occurrence of an Additional Termination Event (as defined in the Swap Agreement) following the failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Swap Agreement.

"Swap Tax Credits" means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the Swap Provider to the Issuer under the terms of the Swap Agreement.

The **"Pari Passu Conditions"** will be met on any Interest Payment Date prior to the Rated Notes being repaid in full and prior to the service of an Enforcement Notice if, taking into account the application of Available Revenue Receipts and Available Principal Receipts that would have been applied on that Interest Payment Date (assuming the Pari Passu Conditions would not be satisfied on such Interest Payment Date) (a) the aggregate principal amount outstanding of the Class F Notes and Subordinated Notes would exceed 19.9% of the aggregate Principal Amount Outstanding of all Notes then outstanding, (b) the OC Principal Deficiency Sub-Ledger has a debit balance of no more than €11,500,000, and (c) the Class F Principal Deficiency Sub-Ledger has a balance of zero.

Definition of Available Principal Receipts

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

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period and (ii) if representing amounts received in respect of any repurchases of the Purchased Loan Receivables and their Related Security (or Loan Indemnity Warranty Payments paid to the Issuer in accordance with the terms of the Mortgage Sale Agreement) that were repurchased by the Seller (or MBL) pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Calculation Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Calculation Date;

- (b) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class C Principal Deficiency Sub-Ledger and/or the Class D Principal Deficiency Sub-Ledger and/or the Class E Principal Deficiency Sub-Ledger and/or the Class F Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date; and
- (c) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 6.9(c) (Determinations and Reconciliation).

Application of Available Principal Receipts prior to the service of an Enforcement Notice on the Issuer

Prior to the service of an Enforcement Notice on the Issuer, the Cash Manager on behalf of the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the "**Pre-Enforcement Principal Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full):

- (a) *first*, any Senior Principal Reallocation Amounts to be applied to meet any Residual Senior Shortfall;
- (b) *second*:
 - (i) if the Pari Passu Conditions are not satisfied on any Interest Payment Date:
 - (A) *first*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
 - (B) *second*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
 - (C) *third*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
 - (D) *fourth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
 - (E) *fifth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
 - (F) *sixth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero;
 - (G) *seventh*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero;
 - (ii) if the Pari Passu Conditions are satisfied:

- (A) *first*, until the Retained Hold Limit is reached on any Interest Payment Date:
- I. *firstly*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
 - II. *then*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
 - III. *then*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
 - IV. *then*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
 - V. *then*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
 - VI. *then*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero;
 - VII. *then*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero;
- (B) *second*, once the Retained Hold Limit is reached, on a *pari passu* basis to repay the Most Senior Class of Notes, the Class F Notes and the Subordinated Notes with the Most Senior Class of Notes paid the Rated Notes Pro Rata Amount, the Class F Notes paid the Class F Notes Pro Rata Amount and the Subordinated Notes paid the Subordinated Notes Pro Rata Amount, until the Notes are redeemed in full;
- (c) *third*, remaining amounts (the "**Excess Principal Receipts**") to be applied as Available Revenue Receipts.

Distributions following the service of an Enforcement Notice on the Issuer

After an Enforcement Notice has been served on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by the Security Trustee in connection with the enforcement of the Security will apply all amounts received or recovered other than (x) any amount standing to the credit of the Issuer Profit Ledger, which shall be applied by the Issuer in or towards satisfaction of any liability of the Issuer for corporation tax of the Issuer and (y) any amount standing to the credit of the Swap Collateral Account which will be applied in accordance with the Swap Collateral Account Priority of Payments (other than any amount to be applied as Swap Collateral Account Surplus in accordance with the Swap Collateral Account Priority of Payments) (as defined below), in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Post-Enforcement Priority of Payments**" and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments, the "**Priority of Payments**"):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof of:

- (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee, Receiver and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee, Receiver and any Appointee under the provisions of the Deed of Charge, the German Security Agreement and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Agent Bank, the Registrar and any Paying Agent and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Master Servicer and any fees, costs, charges, liabilities and expenses then due under the provisions of the Master Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Back-up Servicing Facilitator and any fees, costs, charges, liabilities and expenses then due to the Back-up Servicing Facilitator under the provisions of the Master Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein; and
 - (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Issuer Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, to pay in or towards satisfaction of any amounts due to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied by any payments by the Issuer to the Swap Provider under the Swap Collateral Account Priority of Payments but excluding, if applicable, any related Hedge Subordinated Amounts);
- (d) *fourth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof interest and principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (e) *fifth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;

- (f) *sixth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (g) *seventh*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (h) *eighth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (i) *ninth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero;
- (j) *tenth*, to pay in accordance with the terms of the Swap Agreement to the Swap Provider in respect of any Hedge Subordinated Amounts (to the extent not satisfied by payment to the Swap Provider by the Issuer of any applicable amount under the Swap Collateral Account Priority of Payments);
- (k) *eleventh*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero;
- (l) *twelfth*, to pay, *pro rata* and *pari passu*, amounts due and payable to third parties (if any); and
- (m) *thirteenth*, to pay the Issuer Profit Amount;
- (n) *fourteenth*, to pay any excess amounts, *pro rata* and *pari passu*, to the holders of the Residual Certificates.

Swap Collateral

In the event that the Swap Provider is required to transfer collateral to the Issuer in respect of its obligations under the Swap Agreement ("**Swap Collateral**") in accordance with the terms of the credit support annex of the Swap Agreement (the "**Swap Credit Support Annex**"), that Swap Collateral (and any interest and/or distributions earned thereon) will be credited to a separate swap collateral account (the "**Swap Collateral Account**") and credited to the Swap Collateral Ledger. In addition, upon any early termination of the Swap Agreement, (a) any Replacement Swap Premium received by the Issuer from a replacement swap provider, (b) any termination payment received by the Issuer from an outgoing Swap Provider and (c) any Swap Tax Credits will be credited to the Swap Collateral Account and recorded on the Swap Collateral Ledger.

Amounts and securities standing to the credit of each Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) and recorded on the Swap Collateral Ledger will not be available for the Issuer or the Security Trustee to make payments to the Secured Creditors generally, but may be applied by the Cash Manager only in accordance with the following provisions in accordance with the instructions of the Swap Provider or the Master Servicer (the "**Swap Collateral Account Priority of Payments**"):

- (a) to pay an amount equal to any Swap Tax Credits received by the Issuer to the relevant Swap Provider;
- (b) prior to the designation of an Early Termination Date (as defined in the Swap Agreement, the "**Early Termination Date**") in respect of the Swap Agreement, solely in or towards payment or discharge of any Return Amounts (as defined in the Swap Credit Support Annex), Interest Amounts and

Distributions (as defined in the Swap Credit Support Annex), on any day, directly to the Swap Provider;

- (c) following the designation of an Early Termination Date in respect of the Swap Agreement where (A) such Early Termination Date has been designated following a Swap Provider Default or Swap Provider Downgrade Event and (B) the Issuer enters into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement, on the later of the day on which such Replacement Swap Agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
 - (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement being terminated;
 - (ii) *second*, in or towards payment of any termination payment due to the outgoing Swap Provider; and
 - (iii) *third*, the surplus (if any) on such day to be transferred to the Issuer Account to be applied as Available Revenue Receipts;
- (d) following the designation of an Early Termination Date in respect of the Swap Agreement where: (A) such Early Termination Date has been designated other than as a result of one of the events specified at item C(A) above, and (B) the Issuer enters into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement, on the later of the day on which such Replacement Swap Agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
 - (i) *first*, in or towards payment of any termination payment due to the outgoing Swap Provider;
 - (ii) *second*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement being terminated; and
 - (iii) *third*, any surplus on such day to be transferred to the Issuer Account to be applied as Available Revenue Receipts;
- (e) following the designation of an Early Termination Date in respect of the Swap Agreement for any reason where the Issuer does not enter into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement and, on the date on which the relevant payment is due, in or towards payment of any termination payment due to the outgoing Swap Provider; and
- (f) following payments of amounts due pursuant to (e) above, if amounts remain standing to the credit of a Swap Collateral Account, such amounts may be applied only in accordance with the following provisions:
 - (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement relates; and

- (ii) *second*, any surplus remaining after payment of such Replacement Swap Premium to be transferred to the Issuer Account to be applied as Available Revenue Receipts,

provided that for so long as the Issuer does not enter into a Replacement Swap Agreement with respect to the Swap Agreement, on each Swap Payment Date, the Issuer (or the Cash Manager on its behalf) will be permitted to withdraw an amount from the Swap Collateral Account (which shall be debited to the Swap Collateral Ledger), equal to the excess of the Swap Provider Swap Amount over the Issuer Swap Amount which would have been paid by the Swap Provider to the Issuer on such Swap Payment Date but for the designation of an Early Termination Date under the Swap Agreement, such surplus to be transferred to the Issuer Account to be applied as Available Revenue Receipts; and

provided further that for so long as the Issuer does not enter into a Replacement Swap Agreement with respect to the Swap Agreement on or prior to the earlier of:

- (A) the Calculation Date immediately before the Interest Payment Date on which the Principal Amount Outstanding of all Rated Notes would be reduced to zero (taking into account any Swap Collateral Account Surplus to be applied as Available Revenue Receipts on such Interest Payment Date); or
- (B) the day on which an Enforcement Notice is given pursuant to Condition 11 (*Events of Default*); or
- (C) the date on which the Current Balance of the Mortgage Loans (excluding any Enforced Loans) is reduced to zero,

then the amount standing to the credit of such Swap Collateral Account on such day shall be transferred to the Issuer Account to be applied as Available Revenue Receipts as soon as reasonably practicable thereafter.

"Swap Collateral Account Surplus" means the amounts applied as Available Revenue Receipts pursuant to the Swap Collateral Account Priority of Payments.

The Swap Collateral Account will be opened in the name of the Issuer and will be held at a financial institution which satisfies the Account Bank Rating. A Swap Collateral Account and Swap Collateral Ledger will be established and maintained in respect of the Swap Agreement. As security for the payment of all monies payable in respect of the Notes and the other Secured Obligations, the Issuer will grant a first fixed charge over the Issuer's interest in the Swap Collateral Account and the debts represented thereby (which may, however, take effect as a floating charge and therefore rank behind the claims of any preferential creditors of the Issuer).

DESCRIPTION OF THE GLOBAL NOTES

General

Each Class of Notes as at the Closing Date will each be represented by a Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes will be registered in the name of a nominee 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 for the Common Safekeeper as the owner of the Global Note.

Upon confirmation by the Common Safekeeper that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Note attributable thereto ("**Book-Entry Interests**").

Book-Entry Interests in respect of each Global Note will be recorded in denominations of €100,000 and higher integral multiples of €1,000 (an "**Authorised Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests or the Residual Certificate Book-Entry Interests through Participants or through other Indirect Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Joint Lead Managers. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee for the Common Safekeeper is the registered holder of the Global Note underlying the Book-Entry Interests, the nominee for the Common Safekeeper will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed. Except as set out under "*Issuance of Registered Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in respect of the Global Notes and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Global Note, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg

unless and until Registered Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of a Global Note, unless and until Book-Entry Interests are exchanged for Registered Definitive Notes, the Global Note held by the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in the Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Payments on the Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Euro by or to the order of Citibank N.A., London Branch (the "**Principal Paying Agent**"), on behalf of the Issuer to the order of the Common Safekeeper or its nominee as the registered holder thereof with respect to the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Safekeeper, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Notes (i) where the Notes are in global registered form, shall be at the close of the Business Day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) prior to the relevant Interest Payment Date and (ii) where the Notes are in definitive registered form, shall be the date falling 15 days prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating

to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that a Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the order of the Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and the corresponding entry on the Register.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "*General*" above.

Issuance of Registered Definitive Notes

Holders of Book-Entry Interests in the Global Note will be entitled to receive Notes in definitive registered form (such as exchanged Global Notes in definitive registered form, "**Registered Definitive Notes**") in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things and no alternative clearing system satisfactory to the Note Trustee is available, or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive registered form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will not be entitled to exchange such Registered Definitive Notes for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set out under "*Transfers and Transfer Restrictions*" above and provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Registered Definitive Notes will be issued in a denomination that is an integral multiple of the minimum Authorised Denomination. See "*Risk Factors – Registered Definitive Notes and denominations in integral multiples*" above.

Action in respect of the Global Notes and the Book-Entry Interests

Not later than ten days after receipt by the Issuer of any notices in respect of a Global Note or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear and Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note in accordance with any instructions set out in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above with respect to soliciting instructions from their respective

Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Notices

Whilst the Notes are represented by Global Notes the Issuer may, at its option, send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Noteholders for communication by Euroclear and Clearstream, Luxembourg to the Noteholders. Alternatively, such notices regarding the Notes may instead be published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom; provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders, publication in such newspaper shall not be required with respect to such information so long as the rules of the Irish Stock Exchange allow. The Issuer may elect not to publish any notice in a newspaper for so long as the Notes are held in global form and notice is given to Euroclear and Clearstream, Luxembourg. The Note Trustee may, in accordance with Condition 16.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Noteholders if such method is reasonable having regard to, among other things, the market practice then prevailing and the requirements of the relevant stock exchange. See also Condition 16 (*Notice to Noteholders*) of the Notes.

New Safekeeping Structure and Eurosystem Eligibility

The Notes are intended to be held in a manner which would allow Eurosystem eligibility and will be deposited with one of the ICSDs as common safekeeper. However, the deposit of the Notes with one of the ICSDs as common safekeeper upon issuance or otherwise does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Issuer-ICSDs Agreement

Prior to the issuance of the Notes, the Issuer will enter into an Issuer-ICSDs Agreement with Euroclear Bank S.A./N.V. and Clearstream Banking SA (the **ICSDs**) in respect of the Notes. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any of the Notes (while being held in the New Safekeeping Structure), maintain their respective portion of the issue outstanding amount through their records. The Issuer-ICSDs Agreement will be governed by English law.

DESCRIPTION OF THE GLOBAL RESIDUAL CERTIFICATE

General

The Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate. The Global Residual Certificate will be registered on issue on or around the Closing Date in the name of the Common Safekeeper as nominee for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Registrar will maintain a register in which it will register the nominee for the Common Safekeeper as the holder of the Global Residual Certificate.

Upon confirmation by the Common Safekeeper that it has been issued with the Global Residual Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Residual Certificate ("**Residual Certificate Book-Entry Interests**") representing beneficial interests in the Residual Certificates attributable thereto.

Ownership of Residual Certificate Book-Entry Interests will be limited to Participants or Indirect Participants, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Residual Certificate Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Residual Certificate Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Seller. Ownership of Residual Certificate Book-Entry Interests will be shown on, and transfers of Residual Certificate Book-Entry Interests or the interests therein will be effected only through records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Residual Certificate Book-Entry Interests.

So long as the nominee of the Common Safekeeper is the registered holder of the Global Residual Certificate underlying the Residual Certificate Book-Entry Interests, it will be considered the sole Certificateholder of the Residual Certificate represented by that Global Residual Certificate for all purposes under the Trust Deed. Except as set out under the section below entitled "*Issuance of Definitive Residual Certificates*", Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Residual Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Residual Certificate Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Residual Certificate Book-Entry Interests, to exercise any rights and obligations of a holder of Residual Certificates under the Trust Deed. See the section below entitled "*Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests*".

Unlike legal owners or holders of the Residual Certificates, holders of the Residual Certificate Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Certificateholders. Instead, a holder of Residual Certificate Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Residual Certificate Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default, holders of Residual Certificate Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until

Definitive Residual Certificates are issued in accordance with the Residual Certificates Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Unless and until Residual Certificate Book-Entry Interests are exchanged for Definitive Residual Certificates, the Global Residual Certificate held by the nominee for the Common Safekeeper may not be transferred except as a whole by that nominee for the Common Safekeeper to a successor nominee for that Common Safekeeper or a nominee of a successor of the Common Safekeeper.

Purchasers of Residual Certificate Book-Entry Interests in a Global Residual Certificate will hold Residual Certificate Book-Entry Interests in the Global Residual Certificate relating thereto. Investors may hold their Residual Certificate Book-Entry Interests in respect of a Global Residual Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out in the section below entitled "*Transfers and Transfer Restrictions*"), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Residual Certificate Book-Entry Interests in the Global Residual Certificate on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Issuance of Definitive Residual Certificates

The Global Residual Certificate will become exchangeable in whole, but not in part, for Definitive Residual Certificates at the request of the holder of the relevant Global Residual Certificate if Euroclear or Clearstream, Luxembourg closes for business on a permanent basis without a successor to act as a clearing system with respect to the Global Residual Certificate (the "**Exchange Event**").

Any Definitive Residual Certificate issued in exchange for Residual Certificate Book-Entry Interests in the Global Residual Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Residual Certificate Book-Entry Interests. Whenever a Global Residual Certificate is to be exchanged for Definitive Residual Certificates, the Issuer shall procure the prompt delivery (free of charge to the holders of the Residual Certificate Book-Entry Interests) of such Definitive Residual Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the relevant Global Residual Certificate within 30 days of the occurrence of the Exchange Event.

Payments on Global Residual Certificate

Payment of amounts due in respect of the Global Residual Certificate will be made in Euro by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Safekeeper or its nominee as the registered holder thereof with respect to the Global Residual Certificate.

Each holder of Residual Certificate Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper or its nominee in respect of those Residual Certificate Book-Entry Interests. All

such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then none of the Issuer, the Principal Paying Agent or any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Safekeeper, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Residual Certificate Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**"), Euroclear and Clearstream, Luxembourg will determine the identity of the Participants for the purposes of making payments under the Global Residual Certificate. The Record Date in respect of the Global Residual Certificate shall be as at the close of business on the Business Day prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Residual Certificate Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to payments made on account of a Participant's ownership of Residual Certificate Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Residual Certificate Book-Entry Interests.

Information regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of Residual Certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.
- Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Residual Certificate Book-Entry Interests or if an owner of a Residual Certificate Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the Participants owning the relevant Residual Certificate Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Transfers and Transfer Restrictions

All transfers of Residual Certificate Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section above entitled "*General*").

Beneficial interests in the Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg. The Global Residual Certificate will bear a legend similar to that appearing under the section of this Prospectus entitled "*Transfer Restrictions and Investor Representations*" below, and neither the Global Residual Certificate nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set out in the legend appearing in the relevant Global Residual Certificate.

Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests

Not later than ten days after receipt by the Issuer of any notice in respect of the Global Residual Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Residual Certificate, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date, Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Residual Certificate Book-Entry Interests or the Global Residual Certificate, and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Residual Certificate Book-Entry Interests or the Global Residual Certificate in accordance with any instructions set out in such request. Euroclear and Clearstream, Luxembourg are expected to follow the procedures described under the section above entitled "*General*", with respect to soliciting instructions from their respective Participants.

Notices

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Certificateholders for communication by Euroclear and Clearstream, Luxembourg to the Certificateholders and shall procure that the information contained in such notice shall appear on a Relevant Screen (see also Residual Certificates Condition 16 (*Notice to Certificateholders*)). The Note Trustee may in accordance with the Residual Certificates Condition 16.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Certificateholders, if such method is reasonable having regard to the then prevailing market practice.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).

1. GENERAL

The €138,570,000 Class A mortgage backed floating rate notes due 2052 (the "**Class A Notes**"), the €19,220,000 Class B mortgage backed floating rate notes due 2052 (the "**Class B Notes**"), the €7,390,000 Class C mortgage backed floating rate notes due 2052 (the "**Class C Notes**"), the €5,360,000 Class D mortgage backed floating rate notes due 2052 (the "**Class D Notes**"), the €6,100,000 Class E mortgage backed floating rate notes due 2052 (the "**Class E Notes**" and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the ("**Rated Notes**"), the €8,130,000 Class F mortgage backed floating rate notes due 2052 (the "**Class F Notes**") and the €1,770,000 subordinated floating rate notes due 2052 (the "**Subordinated Notes**"), and the Subordinated Notes together with the Class F Notes and the Rated Notes, (the "**Notes**"), in each case of Kingswood Mortgages 2015-1 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 17 July 2015 (the "**Closing Date**") and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"). Any reference in these terms and conditions (the "**Conditions**") to a "**Class**" of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes or the Subordinated Notes, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class designation of Notes, the registered holders for the time being of such Class of Notes. The security for the Notes is constituted by (i) a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**") and (ii) a German security agreement (the "**German Security Agreement**") dated on the Closing Date and made between, the Issuer and the Security Trustee as trustee (*Treuhänder*) for the Secured Creditors.

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee, Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agent**"), Citibank N.A., London Branch as registrar (in such capacity, the "**Registrar**") and Citibank N.A., London Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the German Security Agreement, the Agency Agreement and a master definitions and construction schedule (the "**Master Definitions and Construction Schedule**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the German Security Agreement, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

2. INTERPRETATION

2.1 Definitions

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

2.2 Interpretation

These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

3. FORM, DENOMINATION AND TITLE

3.1 Form and Denomination

Each Class of Notes will initially be represented by a global note certificate in registered form (a "**Global Note**").

For so long as any of the Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. Each Global Note will be deposited with and registered in the name of a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg.

For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of €100,000 and higher integral multiples of €1,000, notwithstanding that no Registered Definitive Notes (as defined below) will be issued with a denomination above €199,000. A Global Note will be exchanged for the relevant Note in definitive registered form (such exchanged Global Notes in definitive registered form, the "**Registered Definitive Notes**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
 - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
 - (ii) announce an intention permanently to cease business or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things,

and in either case no alternative clearing system satisfactory to the Note Trustee is available;
or

- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the relevant Notes in definitive registered form.

If Registered Definitive Notes are issued in respect of Notes originally represented by a Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for the relevant Notes in registered definitive form. The aggregate principal amount of the Registered Definitive Notes shall be equal to the Principal Amount Outstanding of the Notes at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Registered Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Notes in global and (if issued and printed) definitive form will be €100,000.

References to "**Notes**" in these Conditions shall include the Global Notes and the Registered Definitive Notes.

3.2 Title

Title to the Global Notes shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Registered Definitive Note shall only pass by and upon registration of the transfer in the Register.

Registered Definitive Notes may be transferred upon the surrender of the relevant Registered Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 3.1 (*Form and Denomination*) above. All transfers of Registered Definitive Notes are subject to any restrictions on transfer set out on the Registered Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Note to be issued upon transfer of such Registered Definitive Note will, within five Business Days of receipt and surrender of such Registered Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

4. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

4.1 Status and relationship between the Notes

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, as provided in these Conditions and the Transaction Documents. As the initial Most Senior Class of Notes, the Class A Notes rank in

priority (as to payments of interest and principal) to the other Notes, except as provided for in Condition 4.1(h).

- (b) The Class B Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class B Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes (except as provided for in Condition 4.1(h) below), as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of Class B Notes (the "**Class B Noteholders**") will be subordinated to the interests of the persons who for the time being are registered in the Register as holders of Class A Notes (the "**Class A Noteholders**") (so long as any Class A Notes remain outstanding).
- (c) The Class C Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class C Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes (except as provided for in Condition 4.1(h) below), as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class C Notes (the "**Class C Noteholders**") will be subordinated to the interests of each of the Class A Noteholders and the Class B Noteholders (so long as any Class A Notes and/or any Class B Notes remain outstanding) except as provided for in Condition 4.1(h) below.
- (d) The Class D Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class D Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes (except as provided for in Condition 4.1(h) below), as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class D Notes (the "**Class D Noteholders**") will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders) (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes remain outstanding) except as provided for in Condition 4.1(h) below.
- (e) The Class E Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class E Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (except as provided for in Condition 4.1(h) below), as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class E Notes (the "**Class E Noteholders**") will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders) (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes and/or any Class D Notes remain outstanding) except as provided for in Condition 4.1(h) below.
- (f) The Class F Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class F Notes rank *pari passu* without preference or priority

among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (except as provided for in Condition 4.1(h) below), as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class F Notes (the "**Class F Noteholders**") will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes and/or any Class D Notes and/or any Class E Notes remain outstanding) except as provided for in Condition 4.1(h) below.

- (g) The Subordinated Notes constitute direct, secured and (subject as provided in Condition 18 (*Subordination by Deferral*) and the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Subordinated Notes rank subordinate to all payments due in respect of the Rated Notes and the Class F Notes (except as provided for in Condition 4.1(h) below), as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Subordinated Notes (the "**Subordinated Noteholders**") will be subordinated to the interests of the holders of the Rated Notes (so long as any Rated Notes remain outstanding) and the Class F Notes (for so long as any Class F Notes remain outstanding) except as provided for in Condition 4.1(h) below.
- (h) If, on any Interest Payment Date prior to the service of an Enforcement Notice, the Pari Passu Conditions are satisfied and the Retained Hold Limit has been reached, payments of amounts of principal owed to the persons who for the time being are registered in the Register as holders of the Rated Notes (other than the holders of the Most Senior Class of Notes) will be subordinated to the interests of the holders of the Most Senior Class of Notes, the Class F Notes and the Subordinated Notes.
- (i) The Trust Deed, the German Security Agreement and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of holders of each Class of the Notes as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee where there is a conflict of interests between one or more classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class of Notes ranking in priority to the other relevant Classes of Notes in the Post-Enforcement Priority of Payments, or if there are no Notes then outstanding to the Certificateholders.
- (j) The Trust Deed also contains provisions limiting the powers of any Class of Noteholders to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class of Notes. Except in certain circumstances described in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class of Notes, the exercise of which will be binding (save in respect of a Basic Terms Modification) on the holders of all other Classes of Notes and the Certificateholders in each case irrespective of the effect thereof on their respective interests.

As long as any Notes are outstanding but subject to Condition 13.5, the Security Trustee shall not have regard to the interests of the other Secured Creditors.

4.2 Security

- (a) The security constituted by or pursuant to the Deed of Charge and the German Security Agreement is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge and the German Security Agreement.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge and the German Security Agreement, upon and subject to the terms and conditions of the Deed of Charge and the German Security Agreement.

5. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under these Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertakings;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage, or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the Issuer's memorandum and articles of association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party

or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

- (i) **Bank accounts:** have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **Purchase Notes:** purchase or otherwise acquire any Notes;
- (k) **Corporation tax:** prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006;
- (l) **VAT:** apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same; or
- (m) **U.S. activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

6. INTEREST

6.1 Accrual of interest

Interest Accrual

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 7 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

6.2 Interest Payment Dates

Interest will be payable in arrears on each Interest Payment Date, for all classes of Notes. The first Interest Payment Date will be the Interest Payment Date falling on 27 October 2015.

"**Interest Payment Date**" means the 27th day of each of July, October, January and April in each year or, if such day is not a Business Day, the immediately following Business Day.

Interest shall accrue from (and including) an Interest Payment Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Interest Payment Date (each such period above, an "**Interest Period**").

6.3 Rate of Interest

Rate of Interest

- (a) The rate of interest payable from time to time in respect of each class or sub-class of the Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be in respect of the Notes and any Interest Period, determined on the basis of the following provisions:
- (i) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three month Euro deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of EURIBOR for three and six months deposit in Euro) in the London interbank market as at or about 11.00 a.m. (Central European Time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (A) (I) from and including the Closing Date to (but excluding) the Optional Redemption Date, the Relevant Margin or (II) from (and including) the Optional Redemption Date, the Relevant Margin plus the Step-Up Margin (if any), and (B) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three months or in respect of the first Interest Period the linear interpolation of three and six monthly Euro deposits (rounded upwards, if necessary, to five decimal places)); and
 - (ii) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph (i) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which sub-paragraph (i) shall have applied but taking account any change in the Relevant Margin and/or any change in the applicability of the Step-Up Margin;
 - (iii) In the event that the Interest Rate on any Notes for any Interest Period is determined in accordance with the provisions of paragraph (a) above to be less than zero, the Interest Rate in respect of such Notes for such Interest Period shall be deemed to be zero.
- (b) In these Conditions (except where otherwise defined), the expression:
- (i) "**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for business in London, Frankfurt and (but only in the case

of payment obligations made under the Notes) on which the TARGET2 system is operational to effect payments;

- (ii) "**Interest Determination Date**" means the Second Business Day prior to the relevant first day of the Interest Period for which the rate will apply;
- (iii) "**Interest Determination Ratio**" means, on any Interest Payment Date, (a) the aggregate Revenue Receipts calculated in the three preceding Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) divided by (b) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Servicer Reports;
- (iv) "**EURIBOR**" means the Euro-zone interbank offered rate;
- (v) "**Reconciliation Amount**" means in respect of any Collection Period (a) the actual Principal Receipts as determined in accordance with the available Third Business Day Report, less (b) the Calculated Principal Receipts in respect of such Collection Period, plus (c) any Reconciliation Amount not applied in previous Collection Periods;
- (vi) "**Reference Banks**" means the principal London office of each of the three major banks engaged in the London interbank market selected by the Agent Bank in consultation with the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
- (vii) "**Relevant Margin**" means:
 - (A) in respect of the Class A Notes, 0.90% per annum;
 - (B) in respect of the Class B Notes, 2.00% per annum;
 - (C) in respect of the Class C Notes, 2.50% per annum;
 - (D) in respect of the Class D Notes, 2.75% per annum;
 - (E) in respect of the Class E Notes 3.00% per annum;
 - (F) in respect of the Class F Notes, 4.50% per annum; and
 - (G) in respect of the Subordinated Notes, 4.50% per annum;
- (viii) "**Relevant Screen Rate**" means, in respect of the Notes, the arithmetic mean of offered quotations for three-month Euro deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of EURIBOR for three and six month deposits in Euro) in the Eurozone market displayed on the Reuters Screen page EURIBOR01;
- (ix) "**Servicer Report**" means any or all of the reports to be provided by the Master Servicer no later than 1.00 p.m. on the second Business Day preceding each Investor Reporting Date in accordance with the terms of the Master Servicing Agreement and detailing, inter alia, the information relating to the Portfolio necessary to produce the Investor Report; and
- (x) "**Step-Up Margin**" means:

- (A) in respect of the Class A Notes, 0.45% per annum;
- (B) in respect of the Class B Notes, 1.00% per annum;
- (C) in respect of the Class C Notes, 1.25% per annum;
- (D) in respect of the Class D Notes, 1.375% per annum;
- (E) in respect of the Class E Notes 1.50% per annum;
- (F) in respect of the Class F Notes 0.00% per annum; and
- (G) in respect of the Subordinated Notes 0.00% per annum.

6.4 Determination of Rates of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on the Interest Determination Date falling in such Interest Period, but in no event later than the third Business Day thereafter, determine the Euro amount (the "**Interest Amounts**") payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall, in respect of a Class of Notes, be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Notes and multiplying the sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the figure downwards to the nearest cent.

6.5 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rate of Interest and the Interest Amounts for each Class of Notes in respect of each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 16 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than three Business Days prior to the immediately succeeding Interest Payment Date. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

6.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and the Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Rates of Interest and the Interest Amounts, it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 6.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, engage an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

6.7 Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the

Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence, fraud or manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 6 (*Interest*).

6.8 Agent Bank

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an agent bank for the purposes of the Notes. The Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank and shall, in the event of the appointed office of any bank being unable or unwilling to continue to act as the agent bank or failing duly to determine the Rate of Interest or the Interest Amounts in respect of any Class of Notes for any Interest Period, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed pursuant to the terms of the Agency Agreement.

6.9 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive a Servicer Report with respect to a Collection Period (each such period, a "**Determination Period**"), then the Cash Manager may use the Servicer Report in respect of the three most recent Collection Periods (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in paragraph (b) below. When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in paragraph (c) below. Any (i) calculations properly made on the basis of such estimates in accordance with paragraphs (b) below and/or (c) below; (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with paragraph (b) and/or (c) below, shall be deemed to be made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (b) In respect of any Determination Period the Cash Manager shall on the Calculation Date immediately preceding the Determination Period:
 - (i) determine the Interest Determination Ratio (as defined above) by reference to the three most recently received Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) received in the preceding Collection Periods;
 - (ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**"); and
 - (iii) calculate the Principal Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Principal Receipts**").

- (c) Following the end of any Determination Period, upon receipt by the Cash Manager of the Servicer Report in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with paragraph (b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined above) as follows:
- (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger); and
 - (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

provided that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

7. PAYMENTS

7.1 Payment of Interest and Principal

Subject to paragraph 2 of Condition 3.1 (*Form and Denomination*), payments of any amount in respect of a Note, including principal and interest, shall be made by:

- (a) (other than in the case of final redemption) Euro cheque; or
- (b) (other than in the case of final redemption) upon application by the relevant Noteholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Euro account maintained by the payee with a bank in London; and
- (c) (in the case of final redemption) Euro cheque upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Note or Registered Definitive Notes (as the case may be) at the specified office of any Paying Agent,

in each case, to the holder (or the first named of joint holders) of the relevant Note appearing in the Register (i) where in global form, as at the close of the business day (being for this purpose a day on which Euroclear or Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth Business Day before the relevant due date (the **Record Date**).

7.2 Laws and Regulations

Payments of any amount in respect of a Note including principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto (together "**FATCA**"). Noteholders will not be charged commissions or expenses on payments.

7.3 Payment of Interest following a Failure to pay Principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 6.1 (*Accrual of interest*) and Condition 6.3 (*Rate of Interest*) will be paid in accordance with this Condition 7.

7.4 Change of Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London and the Registrar with a specified office in Ireland or in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or in addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

7.5 No Payment on non-Business Day

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 7.5, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

7.6 Partial Payment

If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the Register indicating the amount and date of such payment.

7.7 Payment of Interest

If interest is not paid in respect of a Note of any Class on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 7.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 7.1 (*Payment of Interest and Principal*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon is available for payment and notice thereof has been duly given in accordance with Condition 16 (*Notice to Noteholders*).

8. REDEMPTION

8.1 Redemption at Maturity

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on the Interest Payment Date falling in October 2052] (the "**Final Maturity Date**").

8.2 Mandatory Redemption

- (a) If, on any Interest Payment Date prior to the service of an Enforcement Notice, the Pari Passu Conditions are not met, each Class of Notes shall be redeemed on such Interest Payment Date in an amount equal to the Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments which shall be applied in the following order of priority:
- (i) to repay the Class A Notes until they are each repaid in full; and thereafter to be applied
 - (ii) to repay the Class B Notes until they are each repaid in full; and thereafter to be applied
 - (iii) to repay the Class C Notes until they are each repaid in full; and thereafter to be applied
 - (iv) to repay the Class D Notes until they are each repaid in full; and thereafter to be applied
 - (v) to repay the Class E Notes until they are each repaid in full; and thereafter to be applied
 - (vi) to repay the Class F Notes until they are each repaid in full; and thereafter to be applied
 - (vii) to repay the Subordinated Notes until they are each repaid in full.
- (b) If on any Interest Payment Date prior to the service of an Enforcement Notice, if the Pari Passu Conditions are met but the Retained Hold Limit has not yet been reached, Available Principal Receipts available for such purpose in accordance with the Pre-Enforcement Principal Priority of Payments shall be applied on such Interest Payment Date in the redemption of each Class of Notes in the following order of priority:
- (i) to repay the Class A Notes until they are each repaid in full or the Retained Hold Limit is reached (whichever occurs first on such Interest Payment Date); and thereafter to be applied (provided the Retained Hold Limit is not yet reached)
 - (ii) to repay the Class B Notes until they are each repaid in full or the Retained Hold Limit is reached (whichever occurs first on such Interest Payment Date); and thereafter to be applied (provided the Retained Hold Limit is not yet reached)
 - (iii) to repay the Class C Notes until they are each repaid in full or the Retained Hold Limit is reached (whichever occurs first on such Interest Payment Date); and thereafter to be applied (provided the Retained Hold Limit is not yet reached)

- (iv) to repay the Class D Notes until they are each repaid in full or the Retained Hold Limit is reached (whichever occurs first on such Interest Payment Date); and thereafter to be applied (provided the Retained Hold Limit is not yet reached)
- (v) to repay the Class E Notes until they are each repaid in full or the Retained Hold Limit is reached (whichever occurs first on such Interest Payment Date); and thereafter to be applied (provided the Retained Hold Limit is not yet reached)
- (vi) to repay the Class F Notes until they are each repaid in full or the Retained Hold Limit is reached (whichever occurs first on such Interest Payment Date); and thereafter to be applied (provided the Retained Hold Limit is not yet reached)
- (vii) to repay the Subordinated Notes until they are each repaid in full or the Retained Hold Limit is reached (whichever occurs first on such Interest Payment Date),

provided that if at any time the Retained Hold Limit is reached, this Condition 8.2(b) shall cease to apply and Condition 8.2(c) shall apply instead.

- (c) If, on any Interest Payment Date prior to the service of an Enforcement Notice, the Pari Passu Conditions are met and the Retained Hold Limit has been reached, each Class of Notes shall be redeemed on such Interest Payment Date in an amount equal to the Available Principal Receipts available for such purpose (taking into account any application of Available Principal Receipts pursuant to Condition 8.2(b) on such Interest Payment Date) in accordance with the Pre-Enforcement Principal Priority of Payments on a pari passu basis, to repay the Most Senior Class of Notes in an amount equal to the Rated Notes Pro Rata Amount, to repay the Class F Notes in an amount equal to the Class F Notes Pro Rata Amount and to repay the Subordinated Notes in an amount equal to the Subordinated Notes Pro Rata Amount, until the Notes are redeemed in full. The Rated Notes (other than the Most Senior Class of Notes when the previous sentence applies) rank subordinated to the Most Senior Class of Notes, the Class F Notes and the Subordinated Notes. For the avoidance of doubt, to the extent the Most Senior Class of Notes is redeemed in full on any Interest Payment Date on which the Pari Passu Conditions are satisfied and the Retained Hold Limit has been reached, the remaining amount of the Rated Notes Pro Rata Amount shall be applied towards payment of amounts of principal owing on the succeeding Most Senior Class of Notes so that the Rated Notes are redeemed in sequential order.

For these purposes the "**Pari Passu Conditions**" will be met on any Interest Payment Date prior to the Rated Notes being repaid in full and prior to the service of an Enforcement Notice if, taking into account the application of Available Revenue Receipts and Available Principal Receipts that would have been applied on that Interest Payment Date (assuming the Pari Passu Conditions would not be satisfied on such Interest Payment Date), (a) the aggregate principal amount outstanding of the Class F Notes and Subordinated Notes would exceed 19.9% of the aggregate Principal Amount Outstanding of all Notes then outstanding, (b) the OC Principal Deficiency Sub-Ledger has a debit balance of no more than €11,500,000, and (c) the Class F Principal Deficiency Sub-Ledger has a debit balance of zero;

The "**Retained Hold Limit**" has been reached when the aggregate Principal Amount Outstanding of the Class F Notes and Subordinated Notes equals 19.9% of the aggregate Principal Amount Outstanding of all Notes then outstanding.

"**Rated Notes Pro Rata Amount**" means (i) all amounts of Available Principal Receipts available to be paid to holders of the Notes on such Interest Payment Date (after having accounted for amounts that rank senior in the Pre-Enforcement Principal Priority of Payments) multiplied by (ii) (a) the

aggregate Principal Amount Outstanding of the Rated Notes divided by (b) the Principal Amount Outstanding of all Notes then outstanding.

"Class F Notes Pro Rata Amount" means (i) all amounts of Available Principal Receipts available to be paid to holders of the Notes on such Interest Payment Date (after having accounted for amounts that rank senior in the Pre-Enforcement Principal Priority of Payments) multiplied by (ii) (a) the aggregate Principal Amount Outstanding of the Class F Notes divided by (b) the Principal Amount Outstanding of all Notes then outstanding.

"Subordinated Notes Pro Rata Amount" means (i) all amounts of Available Principal Receipts available to be paid to holders of the Notes on such Interest Payment Date (after having accounted for amounts that rank senior in the Pre-Enforcement Principal Priority of Payments) multiplied by (ii) (a) the aggregate Principal Amount Outstanding of the Subordinated Notes divided by (b) the Principal Amount Outstanding of all Notes then outstanding.

- (d) The Principal Amount Outstanding of each Class of Notes shall be redeemed on each Interest Payment Date in accordance with the relevant Priority of Payments. The principal amount to be redeemed in respect of a particular Class of Notes (the **"Note Principal Payment"**) on any Interest Payment Date prior to the service of an Enforcement Notice shall be the Available Principal Receipts allocated to such Class of Notes on such Interest Payment Date in accordance with the Pre-Enforcement Principal Priority of Payments, as calculated on the Calculation Date immediately preceding such Interest Payment Date, multiplied by the relevant Pool Factor. With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note, and (iii) the fraction expressed as a decimal to the sixth decimal point (the **"Pool Factor"**), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator is the aggregate Principal Amount Outstanding of the relevant Class of Notes. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default or manifest error) be final and binding on all persons.
- (e) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on its Main Securities Market) the Irish Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 16 (*Notice to Noteholders*) not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Notes on any Interest Payment Date a notice to this effect will be given to the holders of the Notes.
- (f) In the case of a partial redemption of Global Notes, the Notes to be redeemed (the **"Redeemed Notes"**) will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

8.3 Optional Redemption of the Notes in full

- (a) On giving not more than 30 nor less than 14 days' notice to the holders of the Notes in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, the Issuer may

redeem all (but not some only) of the Notes on the immediately succeeding Interest Payment Date (including on the Optional Redemption Date), provided that:

- (i) on or prior to the Interest Payment Date on which it is intended for the Notes to be redeemed in full, no Enforcement Notice has been served;
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Interest Payment Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Notes on such Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Enforcement Revenue Priority of Payments); and
 - (iii) the date on which it is intended for the Notes to be redeemed in full falls on (A) the Interest Payment Date falling in July 2020 (the Optional Redemption Date) or on any Interest Payment Date thereafter, or (B) any Interest Payment Date on which (1) the aggregate Principal Amount Outstanding of the Rated Notes and the Class F Notes and the Subordinated Notes (as of the immediately preceding Calculation Date) *plus* (2) the balance standing to the credit of the Rated Note Reserve Fund (on the immediately following Interest Payment Date, prior to the application of any monies in accordance with the Priorities of Payment on such date) is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Rated Notes and the Class F Notes and the Subordinated Notes on the Closing Date.
- (b) Any Note redeemed pursuant to paragraph (a) above will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

8.4 Mandatory Redemption in full pursuant to a Majority Certificateholder Portfolio Purchase Option

- (a) On the occurrence of a sale of the Majority Certificateholder Portfolio Purchase Option Loans pursuant to the Majority Certificateholder Portfolio Purchase Option, the consideration received by the Issuer will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments on the Majority Certificateholder Portfolio Purchase Option Date with the result that the Notes will be redeemed in full in accordance with this Condition 8.4.
- (b) Any Note redeemed pursuant to Condition 8.4(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to and including the Majority Certificateholder Portfolio Purchase Option Date.

8.5 Optional Redemption for Taxation or Other Reasons

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) any amount for, or on account of, any present or future taxes, duties, assessments or

governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; or

- (b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any of the Notes; or
- (c) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Swap Provider would be required to deduct or withhold from any payment under the Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature,

then the Issuer shall, if the same would avoid the effect of such relevant event described in sub-paragraph (a) or (b) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed, provided that:

- (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the holders of the Rated Notes (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on (A) any confirmation made orally to the Issuer (in which case the Master Servicer on behalf of the Issuer shall confirm the same in writing to the Note Trustee) or in writing from each of the Rating Agencies that the then current ratings of the Rated Notes would not be adversely affected by such substitution, or (B) if no such confirmation from the Rating Agencies is forthcoming and the Master Servicer on behalf of the Issuer has certified the same in writing to the Cash Manager and the Note Trustee (an "**Issuer Certificate**"), a written certification from the Master Servicer on behalf of the Issuer to the Note Trustee and the Security Trustee (a "**Master Servicer Certificate**") that such proposed action (I) (while any Rated Notes remain outstanding) has been notified to the Rating Agencies, (II) would not have an adverse impact on the Issuer's ability to make payment when due in respect of the Notes, (III) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security and (IV) (while any of the Rated Notes remain outstanding) would not have an adverse effect on the rating of the Rated Notes) (upon which confirmation or certificate the Note Trustee shall be entitled to rely absolutely without liability to any person for so doing); and
- (ii) such substitution would not require registration of any new security under U.S. securities laws or materially increase the disclosure requirements under U.S. law.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in sub-paragraph (a) or (b) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice (or, in the case of an event described in sub-paragraph (b) above, such shorter period expiring on or before the latest date permitted by relevant law) to the Note Trustee and holders of the Notes in accordance with Condition 16 (*Notice to Noteholders*), redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding

together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that, prior to giving any such notice, the Issuer shall have provided to the Note Trustee:

- (a) a certificate signed by two directors of the Issuer (i) stating that one or more of the circumstances referred to in sub-paragraph (a) or (b) above prevail(s), (ii) setting out details of such circumstances, and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution; and
- (b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer, the Paying Agents and the Swap Provider has or will become obliged to deduct or withhold amounts as a result of such change.

The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on each Class of the holders of the Notes.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

8.6 Refinancing Call Option

On giving not more than 30 nor less than 14 days' notice to the holders of the Notes in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, the Issuer may redeem (in full and not in part) any Notes outstanding on any Interest Payment Date falling on and from the Optional Redemption Date using the proceeds of the issuance of Refinancing Notes. The Issuer may only issue Refinancing Notes (taking into account any redemptions on such Interest Payment Date, disregarding for such purposes the proceeds of any Refinancing Notes) if the proceeds of the issuance of the Refinancing Notes, together with other amounts available to the Issuer, would be sufficient to redeem in full all Notes then outstanding, together with accrued and unpaid interest due thereon on such date.

The Issuer will appoint Macquarie Bank Limited, London Branch (the "**Refinancing Facilitator**") to assist with the marketing of the issuance of Refinancing Notes. The proceeds from the issuance of any Refinancing Notes will be applied as Available Revenue Receipts and Available Principal Receipts (as the case may be). The Refinancing Facilitator is not being appointed to be, and cannot for legal and regulatory reasons be, the initial or subsequent purchaser of any such Refinancing Notes.

8.7 Principal Amount Outstanding

The "**Principal Amount Outstanding**" of a Note on any date shall be, in each case, its original principal amount in each case less the aggregate amount of all principal payments in respect of such Note which have been made since the Closing Date.

8.8 Notice of Redemption

Any such notice as is referred to in Conditions 8.3 (*Optional Redemption of the Notes in full*), 8.5 (*Optional Redemption for Taxation or Other Reasons*) and 8.6 (*Refinancing Call Option*) above shall

be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above.

8.9 No Purchase by the Issuer

The Issuer will not be permitted to purchase any of the Notes.

8.10 Cancellation on redemption in full

All Notes redeemed in full will be cancelled upon redemption. Notes cancelled upon redemption in full may not be resold or re-issued.

9. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, all present and future taxes, levies, imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 8.5 (*Optional Redemption for Taxation or Other Reasons*), the Issuer or, as the case may be, the Paying Agents shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

10. PRESCRIPTION

Claims in respect of principal and interest on the Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 10, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

11. EVENTS OF DEFAULT

11.1 Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25% in aggregate Principal Amount Outstanding of the Most Senior Class of Notes or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (an "**Enforcement Notice**") to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued (but unpaid) interest as provided in the Trust Deed (with a copy of such Enforcement Notice being sent simultaneously to the Security Trustee, the Swap Provider, the Master Servicer, the Issuer Account Bank and the Cash Manager), if any of the following events (each, an "**Event of Default**") occur:

- (a) if default is made in the payment of any principal or interest when due in respect of the Most Senior Class of Notes and the default continues for: (i) a period of ten days in the case of principal, or (ii) five days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and the failure continues for a period of 15 days (or such longer period as the Note Trustee may permit) (except that in any case where the Note Trustee considers the failure to be incapable of remedy, then no continuation or notice as is aforementioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any representation or warranty made by the Issuer under any Transaction Document is incorrect when made and the matters giving rise to such misrepresentation are not remedied within a period of 15 days (or such longer period as the Note Trustee may permit) (except that in any case where the Note Trustee considers the matters giving rise to such misrepresentation to be incapable of remedy, then no continuation or notice as is hereinafter mentioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (d) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders; or
- (e) if: (i) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders, or (ii) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities, (taking into account its contingent and prospective liabilities) or (iii) the Issuer is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (f) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with the court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver following presentation of a petition for an administration order), unless initiated by the Issuer, is not discharged within 30 days; or
- (g) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

11.2 General

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Condition 11.1 (*Notes*), all the Notes then outstanding shall thereby immediately become due and repayable at their

respective Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed.

12. ENFORCEMENT

12.1 General

The Note Trustee may, at any time, at its discretion and without notice and in such manner as it thinks fit, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including these Conditions or the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge and the German Security Agreement or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of an Enforcement Notice, the Note Trustee may, at its discretion and without notice, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) the Note Trustee shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or directed in writing by the holders of at least 25% in aggregate Principal Amount Outstanding of the Most Senior Class of Notes; and
- (b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

12.2 Preservation of Assets

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or the Residual Certificates, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the holders of the Notes (and all persons ranking in priority to the holders of the Notes), or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing: (i) to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the order of priority set out in the Post-Enforcement Priority of Payments); and (ii) once all the Noteholders (and all such higher ranking persons) have been repaid, to the remaining Secured Creditors (other than the Certificateholders) in the order of priority set out in the Post-Enforcement Priority of Payments; and (iii) once all the Noteholders and the Secured Creditors (other than the Certificateholders) have been repaid, to the Certificateholders. The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to in this Condition 12.2 without further enquiry and shall incur no liability to any person for so doing.

12.3 Limitations on Enforcement

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

12.4 Limited Recourse

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer, the subject of any security created under and pursuant to the Deed of Charge and the German Security Agreement (the "**Charged Assets**"). If:

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

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain due or to be paid in respect of the Notes (including, for the avoidance of doubt, payments of principal, premium (if any) or interest in respect of the Notes) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Notes and any further payment rights shall be extinguished.

13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

13.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

13.2 For the purposes of these Conditions, "**Most Senior Class of Notes**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes then outstanding, the Class E Notes or, if there are no Rated Notes then outstanding, the Class F Notes or if there are no Rated Notes or Class F Notes then outstanding, the Subordinated Notes.

13.3 Most Senior Class of Notes, Limitations on other Noteholders

- (a) Subject as provided in paragraph (b) below:
 - (i) subject to sub-paragraphs (ii) and (iii) below, a resolution passed at any meeting of the holders of the Most Senior Class of Notes shall be binding on such Noteholders

and all other Classes of Noteholders and the Residual Certificates irrespective of the effect upon them;

- (ii) subject to sub-paragraph (iii) below, a resolution passed at any meeting of a relevant Class of Noteholders shall be binding on (A) such Noteholders and all other Classes of Noteholders ranking junior to such Class of Noteholders in the Post-Enforcement Priority of Payments in each case and (B) the Residual Certificates, in each case irrespective of the effect it has upon them; and
- (iii) no resolution of any Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class of Notes or, in the case of Residual Certificates, any of the Notes remain outstanding unless it has been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes and in the case of the Residual Certificates all Notes ranking in priority thereto or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes or in the case of the Residual Certificates all Notes ranking in priority thereto,

provided that, in respect of any Extraordinary Resolution of a Class or Classes of Noteholders and/or the Certificateholders relating to any changes to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, the written consent of the Swap Provider is required.

- (b) Subject as provided in paragraph (a) above, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution in writing or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.
- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and/or the holders of the Residual Certificates (if applicable).

13.4 Quorum

- (a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for the purpose of considering an Ordinary Resolution will be one or more persons holding or representing not less than 25% of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (b) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for the purpose of considering an Extraordinary Resolution will be one or more persons holding or representing not less than 50% of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or holders of any Residual Certificates for

the purpose of considering an Extraordinary Resolution to (i) sanction a modification of the date of maturity of Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or, where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or, where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, or of the method of calculating the amounts payable in respect of the Residual Certificates (including, in relation to any Class of Notes or Residual Certificates, if any such modification is proposed for any Class of Notes ranking senior to such Class or the Residual Certificates in the Priorities of Payments), (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) sanction a material modification to Residual Certificates Condition 8 (Majority Certificateholder Portfolio Purchase Option) (viii) any change to the definition of a Basic Terms Modification, or (ix) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**") shall be one or more persons holding or representing in the aggregate not less than (i) 75% of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) 75% of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant affected Class of Noteholders and (if affected) the Certificateholders in accordance with the Residual Certificates Conditions.

- (d) The quorum at any adjourned meeting shall be:
- (i) for an Ordinary Resolution, one or more persons present and holding or representing not less than 10% of the Principal Amount Outstanding of the Notes of such Class then outstanding;
 - (ii) (other than in relation to a Basic Terms Modification) for an Extraordinary Resolution shall be one or more persons present and holding or representing not less than 25% of the Principal Amount Outstanding of the Notes of such Class then outstanding; and
 - (iii) (in respect of a Basic Terms Modification) one or more persons present and holding or representing in the aggregate not less than 50% of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or of the Residual Certificates then in issue.

The terms of the Trust Deed and the Deed of Charge provide for the Noteholders to give directions in writing to the Note Trustee upon which the Note Trustee is bound to act.

- 13.5** The Note Trustee may from time to time and at any time, but only with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) and without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors and (while any of the Rated Notes remain outstanding) after the Issuer having notified the Rating Agencies, agree with the Issuer and any other parties and may direct the Security Trustee to agree with the Issuer and any other parties in making or sanctioning any modification:

- (a) to these Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee, will not be materially prejudicial to the interests of the Noteholders (or, if there are no Notes outstanding, the interests of the Certificateholders) (subject to Clause 20(o)(iii) of the Trust Deed), or the interests of the Note Trustee; or
- (b) to these Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee, such modification is of a formal, minor or technical nature or to correct a manifest error.

13.6 Notwithstanding the provisions of Condition 13.5, the Note Trustee shall be obliged and shall direct the Security Trustee, without any consent or sanction of the Noteholders or the other Secured Creditors, but subject to the receipt of written consent from any of the Secured Creditors party to the Transaction Document being modified (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Conditions and/or any Transaction Document that the Issuer considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that the Issuer certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) in writing to the Note Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria;
- (b) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 17 of Directive 2011/61/EU (as amended) or Article 51 of the AIFM Regulation or Article 254 of the Solvency II Regulation, after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR or the AIFM Regulation or Article 254 of the Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on the Irish Stock Exchange, provided that the Issuer certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purposes of enabling the Issuer or any of the other Transaction Parties to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer or the relevant Transaction Party, as applicable, certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; and
- (e) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation or regulations or official guidance in relation thereto,

provided that the Issuer certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided by the Issuer or the relevant Transaction Party, as the case may be, pursuant to paragraphs (a) to (e) above being a **Modification Certificate**). The Note Trustee is only obliged to concur with the Issuer in making any modification referred to in paragraphs (a) to (e) above (other than in respect of a Basic Terms Modification) to these Conditions and/or any Transaction Document provided that:

- (A) at least 30 days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;
- (B) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee are notified of the proposed modification and on the date that such modification takes effect;
- (C) the written consent of each Secured Creditor which is party to the relevant Transaction Document has been obtained (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document);
- (D) the Note Trustee is satisfied that it has been or will be reimbursed all costs, fees and expenses (including reasonable and properly incurred legal fees) incurred by it in connection with such modification;
- (E) the Issuer either:
 - I. obtains from each of the Rating Agencies a Rating Agency Confirmation; or
 - II. certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in a downgrade, qualification or withdrawal of the then current ratings assigned to any Class of the Notes by such Rating Agency; and
- (F) the Issuer certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) in writing to the Note Trustee (which certification may be in the Modification Certificate) that in relation to such modification (I) the Issuer has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes, in each case specifying the date and time by which Noteholders must respond, and has made available at such time 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 at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification.

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

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

13.7 When implementing any modification pursuant to Condition 13.6:

- (a) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification) the Note Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Condition 13.6 and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) the Note Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee would have the effect of (i) exposing the Note Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction, or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions.

13.8 The Note Trustee may, and may direct the Security Trustee to, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any time, but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, provided that the Note Trustee shall not exercise any powers conferred on it by this Condition 13.6 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes or by a direction under Condition 11 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

13.9 The Note Trustee with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) shall, without the consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, agree to any modification (and where applicable direct the Security Trustee to agree) to the Transaction Documents, the Conditions and/or the Residual Certificates Conditions that are requested in writing by the Issuer (acting in its own discretion or at the direction of any transaction party) in order to enable the Issuer to comply with any requirements which apply to it under European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure

Regulation ("EMIR"), irrespective of whether such modifications are (i) materially prejudicial to the interests of the holders of any Class, the Certificateholders or any other Secured Creditor, or (ii) in respect of a Basic Terms Modification (any such modification, an "EMIR Amendment") and subject to receipt by the Note Trustee of a certificate of (i) the Issuer signed by two directors, or (ii) the Master Servicer on behalf of the Issuer certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR. Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification pursuant to this sub-clause which (in the sole opinion of the Note Trustee and/or the Security Trustee) would have the effect of:

- (a) exposing the Note Trustee (and/or the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or
- (b) increasing the obligations or duties, or decreasing the protections of the Note Trustee (and/or the Security Trustee) in the Transaction Documents and/or the Conditions of the Notes,

provided that in respect of any modifications to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, (i) the prior written consent of the Swap Provider, or (ii) written notification from the Issuer or the Master Servicer on behalf of the Issuer to the Note Trustee and the Security Trustee that Swap Provider consent is not needed, is required.

Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, when implementing any EMIR Amendment pursuant to this Condition 13.9, the Note Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person, but shall act and rely solely and without further investigation on any certificate provided to it by the Issuer pursuant to this Condition 13.9 and shall not be liable to any Noteholder or other Secured Creditor for so acting or relying.

- 13.10** Any such modification, waiver, authorisation or determination by the Note Trustee, in accordance with these Conditions, Residual Certificates Conditions or Transaction Documents shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notice to Noteholders*).
- 13.11** Any modification to the Transaction Documents and the Conditions shall be notified by the Issuer in writing to the Rating Agencies.
- 13.12** In connection with any such substitution of principal debtor referred to in Condition 8.5 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, be materially prejudicial to the interests of the Noteholders or the other Secured Creditors.
- 13.13** In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee may, among other things, have regard to whether the Rating Agencies have confirmed orally to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current ratings of the Rated Notes.
- 13.14** Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including in relation to any modification, waiver, authorisation, determination,

substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall (a) have regard to the general interests of the Noteholders of such Class or Classes but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders and (b) subject to the more detailed provisions of the Trust Deed and the Deed of Charge, as applicable, have regard to the interests of holders of each Class of Notes (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee where there is a conflict of interests between one or more Classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class or Classes of Notes ranking in priority to the other relevant Classes of Notes.

13.15 Other than in respect of any matter requiring an Extraordinary Resolution, Noteholders are required to vote by way of an Ordinary Resolution.

"Ordinary Resolution" means, in respect of the holders of any of the Classes of Notes:

- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by not less than a majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a majority of the votes cast on such poll;
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than a majority in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than a majority in aggregate Principal Amount Outstanding of the relevant Class of Notes.

"Extraordinary Resolution" means, in respect of the holders of any of the Classes of Notes:

- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by not less than 75% of Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by not less than 75% of the votes cast on such poll;
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than 75% in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than 75% in aggregate Principal Amount Outstanding of the relevant Class of Notes.

"Eligible Person" means any one of the following persons who shall be entitled to attend and vote at a meeting:

- (a) a bearer of any Voting Certificate; and
- (b) a proxy specified in any Block Voting Instruction.

"Voting Certificate" means an English language certificate issued by a Paying Agent in which it is stated:

- (a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:
 - (i) the conclusion of the meeting specified in such Voting Certificate; and
 - (ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
- (b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.

"Block Voting Instruction" means an English language document issued by a Paying Agent in which:

- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
 - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
 - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
- (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in paragraph (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy;

- (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
- (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

13.16 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Issuer.

13.17 Issuer Substitution Condition

The Note Trustee may agree, subject to such amendment of these Conditions and of any of the Transaction Documents, and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Residual Certificates and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, inter alia, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 5 (*Covenants*) (the "**Issuer Substitution Condition**"). In the case of a substitution pursuant to this Condition 13.17, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

14. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed, the German Security Agreement and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed, the German Security Agreement and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, inter alia, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15. REPLACEMENT OF NOTES

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange requirements. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer

may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

16. NOTICE TO NOTEHOLDERS

16.1 Publication of Notice

- (a) Subject to paragraph (d) below, any notice to Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.
- (b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.
- (c) While the Notes are represented by Global Note, notices to Noteholders will be valid if published as described above or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (d) So long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange.

16.2 Note Trustee's Discretion to Select Alternative Method

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

17. REPLACEMENT NOTES

If the Issuer Substitution Condition is satisfied in accordance with these Terms and Conditions and the Trust Deed, the Issuer may, without the consent of the Noteholders, issue one or more classes of replacement notes ("**Replacement Notes**") to replace one or more Classes of Notes, each class of which shall have terms and conditions which may differ from the terms and conditions of the Class of Notes which it replaces.

18. SUBORDINATION BY DEFERRAL

18.1 Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 18, include any interest previously deferred under this Condition 18.1 and accrued interest thereon) payable in respect of the Notes other than the Most Senior Class of Notes after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the "**Deferred Interest**") in respect of the Notes other than the Most Senior Class of Notes to the extent only of any insufficiency of funds.

18.2 General

Any amounts of Deferred Interest in respect of a Class of Notes shall accrue interest ("**Additional Interest**") at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 18.1 (*Interest*) applies) or on such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with these Conditions.

18.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on a Class of Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 18, the Issuer will give notice thereof to the relevant Class of Noteholders, as appropriate, in accordance with Condition 16 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 18 will not constitute an Event of Default. The provisions of this Condition 18 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or, are required to be redeemed in full, at which time all deferred interest and accrued interest thereon shall become due and payable.

19. NON-RESPONSIVE RATING AGENCY

- (a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Rated Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security Trustee) from the relevant Rating Agencies that the then current ratings of the Rated Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Rating Agency Confirmation**").
- (b) If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee, as applicable) and:
 - (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response, or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and

- (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by a director certifying and confirming that each of the events in paragraphs (i)(A) or (i)(B) and (ii) above has occurred.

20. JURISDICTION AND GOVERNING LAW

- (a) Each of the Notes, the Residual Certificates and the Transaction Documents (other than the Master Servicing Agreement, the Sub-Servicing Agreement, the German Security Agreement, the Collection Account Pledge Agreement, the Transfer Documents and any Re-Transfer Documents and any other Transaction Documents governed by German law) shall be governed by and construed in accordance with, including any non-contractual obligations arising out of or in connection with each of them, English Law.
- (b) The Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (other than the Master Servicing Agreement, the Sub-Servicing Agreement, the German Security Agreement, the Collection Account Pledge Agreement, the Transfer Documents and any Re-Transfer Documents and any other Transaction Documents governed by German law) (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents (other than the Master Servicing Agreement, the Sub-Servicing Agreement, the German Security Agreement, the Collection Account Pledge Agreement, the Transfer Documents and any Re-Transfer Documents and any other Transaction Documents governed by German law) or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.
- (c) The Master Servicing Agreement, the Sub-Servicing Agreement, the German Security Agreement, the Collection Account Pledge Agreement, the Transfer Documents and any Re-Transfer Documents and any other Transaction Documents governed by German law (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, German law.

21. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

The following are the terms and conditions of the Residual Certificates in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).

1. GENERAL

The 100 residual certificates (the "**Residual Certificates**") of Kingswood Mortgages 2015-1 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 17 July 2015 (the "**Closing Date**") and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the registered holders for the time being of the Residual Certificates (the "**Certificateholders**") (the "**Trustee**"). Any reference in these residual certificates terms and conditions (the "**Residual Certificates Conditions**") to a "**Class**" of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes or the Subordinated Notes, as the case may be, or to the respective holders thereof. The security for the Residual Certificates is constituted by (i) a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**") and (ii) a German security agreement (the "**German Security Agreement**") dated on the Closing Date and made between, the Issuer and the Security Trustee as trustee (*Treuhänder*) for the Secured Creditors.

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee, Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agent**") Citibank N.A., London Branch as registrar (in such capacity, the "**Registrar**") and Citibank N.A., London Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, inter alia, the payment of amounts in respect of the Residual Certificates.

The statements in these Residual Certificates Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the German Security Agreement, the Agency Agreement and a master definitions and construction schedule (the "**Master Definitions and Construction Schedule**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the German Security Agreement, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Certificateholders are entitled to the benefit of, bound by, and deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

2. INTERPRETATION

2.1 Definitions

Capitalised terms not otherwise defined in these Residual Certificates Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

2.2 Interpretation

These Residual Certificates Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

3. FORM AND TITLE

3.1 Form and Denomination

Each Residual Certificate will initially be represented by a global residual certificate in registered form (a "**Global Residual Certificate**").

For so long as any of the Residual Certificates are represented by a Global Residual Certificate, transfers and exchanges of beneficial interests in such Global Residual Certificate and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. The Global Residual Certificate will be deposited with and registered in the name of a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg.

A Global Residual Certificate will be exchanged for the relevant Residual Certificate in definitive registered form (such exchanged Global Residual Certificate in definitive registered form, the "**Definitive Residual Certificates**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
 - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
 - (ii) announce an intention permanently to cease business or to cease to make their book-entry systems available for settlement of beneficial interests in the Global Residual Certificate and do in fact do either of those things,and in either case no alternative clearing system satisfactory to the Note Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations which become effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Residual Certificates which would not be required were the relevant Residual Certificates in definitive registered form.

If Definitive Residual Certificates are issued in respect of Residual Certificates originally represented by a Global Residual Certificate, the beneficial interests represented by such Global Residual Certificate shall be exchanged by the Issuer for the relevant Residual Certificates in registered definitive form.

Definitive Residual Certificates will be serially numbered and will be issued in registered form only.

References to "**Residual Certificates**" in these Residual Certificates Conditions shall include the Global Residual Certificate and the Definitive Residual Certificates.

3.2 Title

Title to the Global Residual Certificate shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Residual Certificate may (to the fullest extent permitted by applicable laws) be deemed and

treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Residual Certificate regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to Definitive Residual Certificates shall only pass by and upon registration of the transfer in the Register.

Definitive Residual Certificates may be transferred upon the surrender of the relevant Definitive Residual Certificate, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of Definitive Residual Certificates are subject to any restrictions on transfer set out on the Definitive Residual Certificates and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Residual Certificate to be issued upon transfer of such Definitive Residual Certificate will, within five Business Days of receipt and surrender of such Definitive Residual Certificate (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Residual Certificate to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Residual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

4. STATUS AND SECURITY

4.1 Status of the Residual Certificates

The Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 12.3 (*Limited Recourse*)) unconditional obligations of the Issuer, and represent the Issuer's obligation to pay deferred consideration for its purchase of the Portfolio, consisting of the Residual Payments. The Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payments on the Residual Certificates. Residual Payments will be made subject to and in accordance with the Pre-Enforcement Revenue Priority of Payments, Pre-Enforcement Principal Priority of Payments and Post-Enforcement Priority of Payments.

The Trust Deed, the German Security Agreement and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard (except as expressly provided otherwise) to the interests of the Noteholders for so long as there are any Notes outstanding.

4.2 Security

The security constituted by or pursuant to the Deed of Charge and the German Security Agreement is granted to the Security Trustee for it to hold on trust for the Certificateholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge and the German Security Agreement.

The Certificateholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge and the German Security Agreement, upon and subject to the terms and conditions of the Deed of Charge and the German Security Agreement.

5. ISSUER COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of these Residual Certificates Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Residual Certificate remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage, or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of, its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the Issuer's memorandum and articles of association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **Purchase Residual Certificates:** purchase or otherwise acquire any Residual Certificates;
or

- (k) **U.S. activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

6. RESIDUAL PAYMENTS

6.1 Right to Residual Payments

Each Residual Certificate represents a *pro rata* entitlement to receive Residual Payments by way of deferred consideration for the purchase by the Issuer of the Portfolio.

6.2 Payment

A Residual Payment may be payable in respect of the Residual Certificates on each Interest Payment Date, other than an Interest Payment Date falling within a Determination Period and each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments.

- (a) **"Determination Period"** has the meaning set out in Condition 6.8 (*Determinations and Reconciliation*).
- (b) **"Interest Payment Date"** means each date determined as an Interest Payment Date in accordance with the Conditions of the Notes.
- (c) **"Residual Payment"** means:
 - (i) prior to the delivery of an Enforcement Notice, in respect of each Interest Payment Date, the sum of:
 - (A) the amount (if any) by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (w) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date; and
 - (B) on any Interest Payment Date on which the Majority Certificateholder Portfolio Purchase Option is exercised, any Revenue Receipts or Principal Receipts received by the Issuer from but excluding the Calculation Date immediately prior to such Interest Payment Date on which the Majority Certificateholder Purchase Option is exercised to and including such Interest Payment Date; and
 - (ii) following the delivery of an Enforcement Notice, in respect of each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Enforcement Priority of Payments exceed the amounts required to satisfy items (a) to (m) of the Post-Enforcement Priority of Payments on that date.
- (d) **"Residual Payment Amount"** means, for a Residual Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the Residual Payment for that date, divided by the number of Residual Certificates then in issue.

6.3 Determination of Residual Payment

The Cash Manager shall on each Calculation Date determine the Residual Payment payable on the immediately following Interest Payment Date and the Residual Payment Amount payable in respect of each Residual Certificate on such Interest Payment Date.

6.4 Publication of Residual Payment and Residual Payment Amount

The Cash Manager shall cause the Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 16 (*Notice to Certificateholders*) as soon as possible after their determination and in no event later than two Business Days prior to the immediately succeeding Interest Payment Date.

6.5 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Cash Manager defaults at any time in its obligation to determine the Residual Payment and Residual Payment Amount (if any) in accordance with the above provisions and the Note Trustee has been notified of this default, determine or cause to be determined the Residual Payment and Residual Payment Amount (if any), in the manner provided in this Residual Certificates Condition 6.5. Any such determination shall be deemed to be a determination made by the Cash Manager.

6.6 Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Residual Certificates Condition 6.6, whether by the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Registrar, the Paying Agents and all Certificateholders and (in the absence of wilful default, gross negligence, fraud or manifest error) no liability to the Issuer or the Certificateholders shall attach to the Cash Manager, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Residual Certificates Condition 6.6.

6.7 Termination of Payments

Following the redemption in full of the Notes, the realisation of the Charged Assets and payment of the proceeds of realisation in accordance with the applicable Priority of Payments, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be redeemed and cancelled.

6.8 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive a Servicer Report with respect to a Collection Period (each such period, a "**Determination Period**"), then the Cash Manager may use the Servicer Report in respect of the three most recent Collection Periods (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in paragraph (b) above. When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in paragraph (c) below. Any (i) calculations properly made on the basis of such estimates in accordance with paragraphs (b) above and/or (c) below; (ii) payments made under any of the Residual Certificates and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with paragraph (b) and/or (c) below, shall be deemed to be made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.

- (b) In respect of any Determination Period the Cash Manager shall on the Calculation Date immediately preceding the Determination Period:
 - (i) determine the Interest Determination Ratio (as defined above) by reference to the three most recently received Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) received in the preceding Collection Periods;
 - (ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**"); and
 - (iii) calculate the Principal Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Principal Receipts**").
- (c) Following the end of any Determination Period, upon receipt by the Cash Manager of the Servicer Report in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with paragraph (b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined above) as follows:
 - (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger); and
 - (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

provided that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

7. PAYMENTS

7.1 Payment of Residual Payment Amounts

Subject to paragraph 2 of Residual Certificates Condition 3.1 (*Form and Denomination*), payments of Residual Payment Amounts shall be made by:

- (a) (other than in the case of final cancellation) Euro cheque; or
- (b) (other than in the case of final cancellation) upon application by the relevant Certificateholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Euro account maintained by the payee with a bank in London; and
- (c) (in the case of final cancellation) Euro cheque upon surrender (or, in the case of part-payment only, endorsement) of the relevant Global Residual Certificate or Definitive Residual Certificate (as the case may be) at the specified office of any Paying Agent,

in each case, to the holder (or the first named of joint holders) of the relevant Residual Certificate appearing in the Register (i) where in global form, as at the close of the business day (being for this purpose a day on which Euroclear or Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth Business Day before the relevant due date (the **Record Date**).

7.2 Laws and Regulations

Payments of any Residual Payment Amounts are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto, and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto (together, "**FATCA**"). Certificateholders will not be charged commissions or expenses on payments.

7.3 Change of Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents, provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Ireland or in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or in addition to the Paying Agents or the Registrar or their specified offices to be given to the Certificateholders in accordance with Residual Certificates Condition 16 (*Notice to Certificateholders*) and will notify the Rating Agencies of such change or addition.

7.4 No Payment on non-Business Day

If the date for payment of any amount in respect of a Residual Certificate is not a Presentation Date, Certificateholders shall not be entitled to payment until the next following Presentation Date and shall not be entitled to interest or other payment in respect of such delay. In this Residual Certificates Condition 7.4, the expression "**Presentation Date**" means a day which is (a) a Business Day, and (b) a day on which banks are generally open for business in the relevant place.

8. MAJORITY CERTIFICATEHOLDER PORTFOLIO PURCHASE OPTION

- (a) Pursuant to the provisions of this Residual Certificates Condition 8 and the Trust Deed, provided that the Majority Certificateholder is not (i) (at any time) the Seller or (ii) (prior to the occurrence of the Regulatory Date) a Seller Related Person, the Majority Certificateholder may, by delivering a written notice to the Issuer with a copy to the Note Trustee, the Security Trustee, the Seller, the Master Servicer and the Rating Agencies specifying (a) the proposed Majority Certificateholder Portfolio Purchase Option Date, (b) whether the Majority Certificateholder itself or a nominee will be acquiring the beneficial title to the Majority Certificateholder Portfolio Purchase Option Loans and (c) whether the

transfer of legal title from the Issuer to the Majority Certificateholder Portfolio Purchase Option Loans is contemplated (an "**Exercise Notice**") at any time for effect on any Interest Payment Date falling on or after Optional Redemption Date, offer to purchase, and the Issuer shall accept such offer to purchase, all (but not some) of the Purchased Loan Receivables and Related Security comprising the Portfolio at the Majority Certificateholder Portfolio Purchase Option Purchase Price on any Interest Payment Date falling after the Optional Redemption Date (the "**Majority Certificateholder Portfolio Purchase Option**"). Such notice shall be given no more than 20 nor fewer than five Business Days prior to such Interest Payment Date. For these purposes, "**Regulatory Date**" means the date on which the current applicable Australian prudential regulations which have the effect of prohibiting any Seller Related Person to exercise such Majority Certificateholder Portfolio Purchase Option are removed or relaxed thereby allowing such option to be exercised by that Seller Related Person.

- (b) Upon the exercise of the option set out in Condition 8(a) above, the Issuer shall sell and transfer to the Majority Certificateholder or its nominee (specified as such in the Exercise Notice) the title to all Purchase Loan Receivables and Related Security in the Portfolio (the "**Majority Certificateholder Portfolio Purchase Option Loans**").
- (c) It will be a condition of the exercise of the Majority Certificateholder Portfolio Purchase Option that (a) either (i) each of the purchasers of the legal title in the Majority Certificateholder Portfolio Purchase Option Loans is resident for tax purposes in the United Kingdom or Germany, or (ii) the Issuer having received tax advice from an appropriately qualified and experienced United Kingdom and/or German tax adviser (as applicable) in a form and substance satisfactory to it, or such other comfort as may reasonably be required by it ("**Tax Advice**"), is satisfied that sale of the relevant Purchased Loan Receivables will not expose the Issuer to a risk of loss in consequence of income tax being required to be withheld from amounts paid in respect of the Purchased Loan Receivables, and (b) the Issuer has obtained Tax Advice and as a result is satisfied that any such sale will not result in any materially adverse tax consequences for the Issuer and/or the Issuer's ability to repay the Notes in full. The costs relating to such tax advice shall be borne by the Majority Certificateholder.
- (d) The Majority Certificateholder or its nominee will be required to deposit the full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price in the Issuer Account on or prior to the day falling two Business Days immediately preceding the proposed Majority Certificateholder Portfolio Purchase Option Date or take such other action agreed with the Issuer and the Security Trustee. The Majority Certificateholder Portfolio Purchase Option Purchase Price will be held in escrow pending completion of transfer of the Majority Certificateholder Portfolio Purchase Option Loans. The full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments (as the case may be) on the Majority Certificateholder Portfolio Purchase Date.
- (e) On the date of completion of any sale of the Majority Certificateholder Portfolio Purchase Option Loans in accordance with this Residual Certificates Condition 8 and the Trust Deed, the Security Trustee shall be deemed to give its consent to such repurchase and release of the Majority Certificateholder Portfolio Purchase Option Loans from the Security if the Security Trustee receives written confirmation from an Authorised Signatory of each of the Issuer and the Majority Certificateholder that the repurchase has been made in accordance with this Residual Certificates Condition 8 and the Majority Certificateholder Portfolio Purchase Option Purchase Price has been paid into the Issuer Account in accordance with Condition 8(d) above.

- (f) The purchase price for the Portfolio under the Majority Certificateholder Portfolio Purchase Option shall be an amount (the "**Majority Certificateholder Portfolio Purchase Option Purchase Price**") equal to:
- (i) the aggregate Principal Amount Outstanding of the Rated Notes, the Class F Notes and the Subordinated Notes plus accrued and unpaid interest and Additional Note Payments thereon up to and including the proposed Majority Certificateholder Portfolio Purchase Option Date; plus
 - (ii) an amount required to satisfy items (a) to (e) and (t) of the Pre-Enforcement Revenue Priority of Payments on the proposed Majority Certificateholder Portfolio Purchase Option Date; plus
 - (iii) the Issuer's costs and expenses associated with transferring its interests in the Majority Certificateholder Portfolio Purchase Option Loans and their Related Security to the Majority Certificateholder or its nominee (if any); less
 - (iv) Available Revenue Receipts and Available Principal Receipts on such date (disregarding the amount of any payment to be made under this Condition as Majority Certificateholder Portfolio Purchase Option Price on such date, which is to be applied as Available Revenue Receipts or Available Principal Receipts).
- (g) "**Majority Certificateholder**" means (a) (where the Residual Certificates are represented by Definitive Certificates) the holder of greater than 75 per cent. of the Residual Certificates or (where the Residual Certificates are represented by the Global Certificate) the Indirect Participant who holds the beneficial interest in more than 75 per cent. of the Residual Certificates or (b) where no person holds greater than 75 per cent. of the Residual Certificates or, as applicable, beneficial interest in more than 75 per cent. of the Residual Certificates, the person who holds the greatest number of the Residual Certificates or, as applicable, beneficial interest in the greatest number of the Residual Certificates.
- (h) The Issuer hereby acknowledges that as at the Closing Date, no Seller Related Party is able to exercise the Majority Certificateholder Portfolio Purchase Option, unless and until the Regulatory Date occurs. The Issuer further acknowledges that such Regulatory Date may not occur prior to the Final Redemption Date of the Notes.

9. TAXATION

All payments of Residual Payment Amounts by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, all present and future taxes, levies, imports, duties, fees, deductions, withholding or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the Paying Agents shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction.

10. PRESCRIPTION

Claims in respect of Residual Payment Amounts will be prescribed after ten years from the Relevant Date in respect of the relevant payment.

In this Residual Certificates Condition 10, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Certificateholders in accordance with Residual Certificates Condition 16 (*Notice to Certificateholders*).

11. EVENTS OF DEFAULT

11.1 Residual Certificates

The Note Trustee at its absolute discretion may, and, provided all of the Notes have been redeemed in full, if so directed in writing by the holders of at least 25% of the Residual Certificates in number or if so directed by an Extraordinary Resolution of the Certificateholders shall (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed), give a notice (an "**Enforcement Notice**") to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable in any of the following events (each, an "**Event of Default**") with a copy of such Enforcement Notice being sent simultaneously to the Security Trustee, the Master Servicer, the Issuer Account Bank and the Cash Manager:

- (a) if default is made in the payment of any amount due in respect of the Residual Certificates and the default continues for a period of five days from the due date for payment; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Residual Certificates Conditions or any Transaction Document to which it is a party and the failure continues for a period of 30 days (following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied (or such longer period as the Note Trustee may permit)), except in any case where the Note Trustee considers the failure to be incapable of remedy, in which case no continuation or notice as is aforementioned will be required; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Certificateholders; or
- (d) if (i) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Certificateholders, or (ii) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities), or (iii) the Issuer is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver following presentation of a petition for an administration order) unless initiated by the Issuer, is not discharged or within 30 days; or

- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

11.2 General

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Residual Certificates Condition 11.1 (*Residual Certificates*), any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable.

12. ENFORCEMENT

12.1 General

Each of the Note Trustees may, at any time, at its discretion and without notice, take such proceedings, actions and/or steps or direct the Security Trustee to take such proceedings, actions and/or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Residual Certificates or the Trust Deed (including these Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge and the German Security Agreement or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of an Enforcement Notice, the Note Trustee may, at its discretion and without notice, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless, following redemption of the Notes in full:

- (a) the Security Trustee shall have been so directed by an Extraordinary Resolution of the Certificateholders or directed in writing by the holders of at least 25% of the Residual Certificates in number; and
- (b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

No Certificateholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

12.2 Limitations on Enforcement

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

12.3 Limited Recourse

Notwithstanding any other Residual Certificates Condition or any provision of any Transaction Document, all obligations of the Issuer to the Certificateholders are limited in recourse to the

property, assets and undertakings of the Issuer, the subject of any security created under and pursuant to the Deed of Charge and the German Security Agreement (the "**Charged Assets**"). If:

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge and the German Security Agreement; and
- (c) there are insufficient amounts available from the Charged Assets to pay, in accordance with the provisions of the Deed of Charge and the German Security Agreement, any further amounts under the Residual Certificates (including payments of Residual Payment Amounts),

then the Certificateholders shall have no further claim against the Issuer in respect of any further amounts due or to be paid in respect of the Residual Certificates (including, for the avoidance of doubt, payments of Residual Payment Amounts in respect of the Residual Certificates) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Residual Certificates and any further payment rights shall be extinguished.

13. MEETINGS OF CERTIFICATEHOLDERS AND NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

13.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class, and the Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Residual Certificates Conditions, the Conditions or the provisions of any of the Transaction Documents.

13.2 For the purposes of these Residual Certificates Conditions, "**Most Senior Class of Notes**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding, the Class E Notes or, if there are no Rated Notes then outstanding, the Class F Notes or, if there are no Rated Notes or Class F Notes then outstanding, the Subordinated Notes.

13.3 Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders

- (a) Subject as provided in Residual Certificate Condition 13.3(b):
 - (i) subject to Residual Certificates Conditions 13.3(a)(ii) and (iii) below, a resolution passed at any meeting of the holders of the Most Senior Class of Notes shall be binding on all other Classes of Noteholders and the Residual Certificates irrespective of the effect it has upon them;
 - (ii) subject to Residual Certificates Condition 13.3(a)(iii) below, a resolution passed at any meeting of a relevant Class of Noteholders shall be binding on (A) all other Classes of Noteholders ranking junior to such Class of Noteholders in the Post-Enforcement Priority of Payments in each case, and (B) the Residual Certificates, in each case irrespective of the effect it has upon them; and
 - (iii) no resolution of any Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class of Notes remain outstanding unless it has been sanctioned by an Extraordinary Resolution of the holders of the

Most Senior Class of Notes or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

provided that, in respect of any Extraordinary Resolution of a Class or Classes of Notes and/or the Certificateholders relating to any changes to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, the written consent of the Swap Provider is required.

- (b) Subject as provided in Residual Certificates Conditions 13.3(a) above, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only, shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.
- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and the holders of the Residual Certificates (if applicable).

13.4 Quorum

- (a) Subject as provided below, the quorum at any meeting of Certificateholders for the purpose of considering an Ordinary Resolution will be one or more persons holding or representing not less than 25% of the Residual Certificates then in issue.
- (b) Subject as provided below, the quorum at any meeting of Certificateholders for the purpose of considering an Extraordinary Resolution will be one or more persons holding or representing not less than 50% of the Residual Certificates then in issue.
- (c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Residual Certificates for the purpose of considering an Extraordinary Resolution to (i) sanction a modification of the date of maturity of the Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes or of the method of calculating the amounts payable in respect of the Residual Certificates (including, if any such modification is proposed for any Class of Notes), (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) any change to the definition of Basic Terms Modification, (viii) change the Majority Certificateholder Portfolio Purchase Option; or (ix) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**"), shall be one or more persons holding or representing in the aggregate not less than (i) 75% of the aggregate Principal Amount Outstanding of

such Class of Notes then outstanding, or (ii) 75% of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant affected Class of Noteholders and (if affected) by a meeting of the Certificateholders.

- (d) The quorum at any adjourned meeting shall be:
- (i) for an Ordinary Resolution, one or more persons present and holding or representing not less than 10% of the Principal Amount Outstanding of the Notes of such Class then outstanding or Residual Certificates then in issue;
 - (ii) (other than in relation to a Basic Terms Modification) for an Extraordinary Resolution shall be one or more persons present and holding or representing not less than 25% of the Principal Amount Outstanding of the Notes of such Class then outstanding or any of the Residual Certificates then in issue; and
 - (iii) (in respect of a Basic Terms Modification) one or more persons present and holding or representing in the aggregate not less than 50% of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or of the Residual Certificates then in issue.

13.5 The Note Trustee may at any time and from time to time, only with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors and (while any of the Rated Notes remain outstanding) after the Issuer having notified the Rating Agencies agree with the Issuer and any other parties and may direct the Security Trustee to agree with the Issuer and any other parties in making or sanctioning any modification:

- (a) to these Residual Certificate Conditions, the Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the Noteholders (or if there are no Notes outstanding, the interests of the Certificateholders); or
- (b) to these Residual Certificate Conditions, the Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

13.6 The Note Trustee may, and may direct the Security Trustee to, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any time, but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, provided that the Note Trustee shall not exercise any powers conferred on it by this Residual Certificates Condition 13.6 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes or by a direction under Residual Certificates Condition 11 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

13.7 The Note Trustee with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) shall, without the consent or sanction of the Certificateholders or any of the other Secured Creditors, agree to any modification (and, where applicable, direct the Security Trustee to agree) to the Transaction Documents and/or the Residual Certificates Conditions that are requested in writing by the Issuer (acting in its own discretion or at the direction of any transaction party) in order to enable the Issuer to comply with any requirements which apply to it under European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure Regulation ("**EMIR**"), irrespective of whether such modifications are (i) materially prejudicial to the interests of the holders of any Class, the Certificateholders or any other Secured Creditor, or (ii) in respect of a Basic Terms Modification (any such modification, an "**EMIR Amendment**") and subject to receipt by the Note Trustee of a certificate of (i) the Issuer signed by two directors, or (ii) the Master Servicer on behalf of the Issuer, certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR. Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification pursuant to this sub-clause which (in the sole opinion of the Note Trustee and/or the Security Trustee) would have the effect of:

- (a) exposing the Note Trustee (and/or the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or
- (b) increasing the obligations or duties, or decreasing the protections of the Note Trustee (and/or the Security Trustee) in the Transaction Documents and/or the Residual Certificates Conditions,

provided that in respect of any modifications to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, (i) the prior written consent of the Swap Provider, or (ii) written notification from the Issuer or the Master Servicer on behalf of the Issuer to the Note Trustee and the Security Trustee that Swap Provider consent is not needed, is required.

Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, when implementing any EMIR Amendment pursuant to this Residual Certificates Condition 13.7, the Note Trustee shall not consider the interests of the Certificateholders, any other Secured Creditor or any other person, but shall act and rely solely and without further investigation on any certificate provided to it by the Issuer pursuant to this Residual Certificates Condition 13.7 and shall not be liable to any Certificateholder or other Secured Creditor for so acting or relying.

13.8 Any such modification, waiver, authorisation or determination by the Note Trustee, in accordance with the Conditions, these Residual Certificates Conditions or the Transaction Documents shall be binding on the Certificateholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Certificateholders as soon as practicable thereafter in accordance with Residual Certificates Condition 16 (*Notice to Certificateholders*).

13.9 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.

13.10 In connection with any such substitution of principal debtor referred to in Condition 8.5 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Certificateholders or the other Secured Creditors, to a change of the laws governing the Residual Certificates, these Residual Certificates Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or,

as the case may be, the Security Trustee be materially prejudicial to the interests of the Certificateholders or the other Secured Creditors.

13.11 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Residual Certificates Conditions or any of the Transaction Documents (including in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Certificateholders, it shall have regard to the general interests of the Certificateholders but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Certificateholders be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Certificateholders.

13.12 Other than in respect of any matter requiring an Extraordinary Resolution, Certificateholders are required to vote by way of an Ordinary Resolution.

13.13 "**Ordinary Resolution**" means:

- (a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by not less than a majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a majority of the votes cast on such poll;
- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than a majority in number of the Residual Certificates then in issue, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than a majority in number of the Residual Certificates then in issue.

13.14 "**Extraordinary Resolution**" means:

- (a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by not less than 75% of the Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by not less than 75% of the votes cast on such poll;
- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than 75% in number of the holders of the Residual Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than 75% in number of the holders of the Residual Certificates then in issue.

- 13.15 **"Eligible Person"** means any one of the following persons who shall be entitled to attend and vote at a meeting:
- (a) a bearer of any Voting Certificate; and
 - (b) a proxy specified in any Block Voting Instruction.
- 13.16 **"Voting Certificate"** means an English language certificate issued by a Paying Agent in which it is stated:
- (a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:
 - (i) the conclusion of the meeting specified in such Voting Certificate; and
 - (ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
 - (b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.
- 13.17 **"Block Voting Instruction"** means an English language document issued by a Paying Agent in which:
- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
 - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
 - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
 - (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
 - (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
 - (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes

attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:

- (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
- (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

13.18 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Issuer.

13.19 Issuer Substitution Condition

The Note Trustee may agree, subject to such amendment of these Residual Certificates Conditions and of any of the Transaction Documents, and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Certificateholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Residual Certificates and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, inter alia, that the Residual Certificates are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Residual Certificates Condition 5 (*Issuer Covenants*) (the "**Issuer Substitution Condition**"). In the case of a substitution pursuant to this Residual Certificates Condition 13.19, the Note Trustee may in its absolute discretion agree, without the consent of the Certificateholders, to a change in law governing the Residual Certificates and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Certificateholders.

14. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, inter alia, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Certificateholders and, (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15. REPLACEMENT OF RESIDUAL CERTIFICATES

If any Residual Certificate is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws. Replacement of any mutilated, defaced, lost, stolen or destroyed Residual Certificate will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Residual Certificate must be surrendered before a new one will be issued.

16. NOTICE TO CERTIFICATEHOLDERS

16.1 Publication of Notice

While the Residual Certificates are represented by a Global Residual Certificate, notices to Certificateholders will be valid if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Certificateholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid, shall be deemed to have been given on the day of such delivery.

While the Residual Certificates are represented by Definitive Residual Certificates, the Note Trustee shall be at liberty to sanction any method of giving notice to the Certificateholders if, in its opinion, such method is reasonable having regard to market practice then prevailing and provided that notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall deem appropriate.

16.2 Note Trustee's Discretion to Select Alternative Method

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Certificateholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the quotation systems on or by which the Residual Certificates are then quoted and/or traded and provided that notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall require.

17. REPLACEMENT RESIDUAL CERTIFICATES

If the Issuer Substitution Condition is satisfied, the Issuer may, without the consent of the Certificateholders, issue replacement residual certificates to replace the Residual Certificates, which shall have terms and conditions which may differ from the terms and conditions of the Residual Certificates which it replaces.

18. JURISDICTION AND GOVERNING LAW

- (a) Each of the Notes, the Residual Certificates and the Transaction Documents (other than the Master Servicing Agreement, the Sub-Servicing Agreement, the German Security Agreement, the Collection Account Pledge Agreement, the Transfer Documents and any Re-Transfer Documents and any other Transaction Documents governed by German law) shall be governed by and construed in accordance with, including any non-contractual obligations arising out of or in connection with each of them, English Law.
- (b) The Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (other than the Master Servicing Agreement, the Sub-Servicing Agreement, the German Security Agreement, the Collection Account Pledge Agreement, the Transfer Documents and any Re-Transfer Documents and any other Transaction Documents governed by German law) (including a dispute relating to non-contractual obligations or a

dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents (other than the Master Servicing Agreement, the Sub-Servicing Agreement, the German Security Agreement, the Collection Account Pledge Agreement, the Transfer Documents and any Re-Transfer Documents and any other Transaction Documents governed by German law) or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.

- (c) The Master Servicing Agreement, the Sub-Servicing Agreement, the German Security Agreement, the Collection Account Pledge Agreement, the Transfer Documents and any Re-Transfer Documents (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, German law.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Residual Certificates or these Residual Certificates Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

TAXATION

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice relating to only United Kingdom withholding tax treatment of any payments of principal and interest in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring holding or disposing of Notes. It does not deal with any taxation implications of an investment in the Residual Certificates. The United Kingdom tax treatment of prospective Noteholders and Certificateholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders and Certificateholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Main Securities Market of the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, 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 beneficial owner is within the charge to United Kingdom corporation tax 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 under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double tax treaty provides for no tax to be withheld (or a lower rate of withholding tax 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).

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.

German Taxation

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. It does not deal with any taxation implications of an investment in the Residual Certificates. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

Prospective Noteholders and Certificateholders are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country in which they are resident or whose tax laws apply to them for other reasons.

The Issuer does not assume any responsibility for the withholding of German taxes at source.

Tax Residents

The section "Tax Residents" refers to persons who are tax residents of Germany (i.e. persons whose residence (*Wohnsitz*), habitual abode (*gewöhnlicher Aufenthalt*), statutory seat (*Sitz*), or place of effective management and control (*Ort der Geschäftsleitung*) is located in Germany).

Persons resident in German are generally subject to income taxation (income tax or corporate income tax, as the case may be, and solidarity surcharge thereon) on their worldwide income, regardless of its source, including interest from debt instruments such as the Notes. Where the Notes form part of the assets of a German trade or business, interest income and capital gains may also be subject to trade tax.

Withholding tax on on-going payments and capital gains

On-going payments received by an individual Noteholder will be subject to German withholding tax if the Notes are kept or administered in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each a "**Disbursing Agent**", *auszahlende Stelle*). The tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). For individual Noteholders who are subject to church tax, an electronic information system for church withholding tax purposes applies in relation to investment income, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

The same treatment applies to capital gains (i.e. the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the acquisition costs) derived by an individual Noteholder provided the Notes have been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition. If Notes kept or administered in the same custodial account were acquired at different points in time, the Notes last acquired will be deemed to have been sold first for the purpose of determining the capital gains. If interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposal are subject to withholding tax. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately.

To the extent the Notes have not been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375% (including solidarity surcharge, plus church tax, if applicable) on 30% of the disposal proceeds (plus interest accrued on the Notes ("**Accrued Interest**", *Stückzinsen*), if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Notes by the

previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with art. 17 para. 2 of the EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**") (e.g. Switzerland or Andorra).

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated 9 October, 2012 a bad debt-loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal. Accordingly, losses suffered upon such bad debt-loss or waiver shall not be tax deductible. The same rules should be applicable according to the said tax decree, if the Notes expire worthless so that losses may not be tax deductible at all. A disposal of the Notes will only be recognised according to the view of the tax authorities if the received proceeds exceed the respective transaction costs.

In calculating any German tax to be withheld, the Disbursing Agent generally deducts from the basis of the withholding tax negative investment income realised by the individual Noteholder via the Disbursing Agent (e.g. losses from the sale of other securities with the exception of shares). The Disbursing Agent also deducts Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent credits foreign withholding taxes levied on investment income in a given year regarding securities held by the individual Noteholder in the custodial account with the Disbursing Agent.

Individual Noteholders may be entitled to an annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) for all investment income received in a given year. Upon the individual Noteholder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the Noteholder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporation as Noteholder while on going payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same may apply where the Notes form part of a trade or business, subject to further requirements being met.

Purchasers of the Notes should note that under Condition 9 neither the Issuer nor the Paying Agents are obliged to make any additional payments in regard of these taxes, meaning that no gross-up will apply in case withholding tax is imposed.

Taxation of current income and capital gains

The personal income tax liability of an individual Noteholder deriving income from capital investments under the Notes is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or if no Disbursing Agent is involved in the payment process, the individual Noteholder must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25% (plus solidarity surcharge and church tax thereon, where applicable). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than from the actual gain), an individual Noteholder may and in case the actual gain is higher than 30% of the disposal proceeds must also apply for an assessment on the basis of his or her actual acquisition costs. Further, an individual Noteholder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemised basis is not permitted.

Losses incurred with respect to the Notes can only be set off against investment income of the individual Noteholder realised in the same or the following years.

Where Notes form part of a trade or business the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. The respective Noteholder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the Noteholder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the Noteholder. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax.

Non-residents

Interest and capital gains are not subject to German taxation, unless:

- (a) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder; or
- (b) the income otherwise constitutes German-source income (such as income from certain capital investments directly or indirectly secured by German-*situs* real estate).

In cases (a) and (b) above a tax regime similar to that explained above under "*Tax Residents*" applies.

As the Notes benefit from security over the Portfolio, each non-resident Noteholder would in principle be subject to German (corporate) income tax with respect to its interest income under the Notes unless the Notes are registered in a public registry (*öffentliches Schuldbuch*), are represented by a global note (*Sammelurkunde*) within the meaning of section 9a of the German Custody Act (*Depotgesetz*) or qualify as partial debenture notes (*Teilschuldverschreibungen*). Furthermore, if the non-resident Noteholder is entitled to the benefits of a double taxation treaty entered into between Germany and the jurisdiction in which the Noteholder is tax resident which makes provision for full exemption from tax imposed by Germany on interest, the interest will not be subject to tax in Germany despite the real estate security.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and capital gains. However, where the income is subject to German taxation as set forth in the preceding paragraphs, withholding tax may be levied under certain circumstances (e.g. if the Notes are kept or administrated in a custodial account with a Disbursing Agent or if the Issuer has been requested by a German tax authority to withhold); otherwise the non-tax resident Noteholder is obliged to file annual (corporate) income tax returns. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Purchasers of the Notes should note that under Condition 9 neither the Issuer nor the Paying Agents are obliged to make any additional payments in regard of these taxes, meaning that no gross-up will apply in case withholding tax is imposed.

Inheritance and Gift Tax

In principle, a transfer of the Notes to another person by way of gift or due to death is subject to inheritance or gift tax only if:

- (a) the testator, donator, heir, beneficiary, donee, or other transferee or acquirer at the time the transfer was effected had his place of residence or ordinary residence in Germany, place of management or registered office in Germany, or held the German citizenship and had not lived abroad for a continuous period of more than five years without having a domicile in Germany; or
- (b) the Notes belonged to the testator's or donator's business assets, for which a permanent establishment was maintained in Germany or a permanent representative was appointed; or

- (c) the Notes are directly or indirectly secured with (a) German real estate or (b) German rights treated as real estate (*grundstücksgleiche Rechte*), unless partial debentures notes (*Teilschuldverschreibungen*) have been issued in this regard.

The few gift and inheritance tax double tax treaties currently in effect in Germany typically provide that German gift or inheritance tax is only payable under the circumstances specified under (a) and, with certain limitations, under the circumstances specified under (b) above.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany. With regard to the potential introduction of a financial transactions tax see "*Risk Factors – EU financial transaction tax*".

EU Savings Directive

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the information exchange on the basis of the EU Savings Directive into German law. These provisions apply from 1 July 2005. For a more general discussion relating to the EU Savings Directive, please refer to the separate sections "*Risk Factors – EU Savings Directive*" and "*Taxation – EU Savings Directive*" below.

EU Savings Directive

Under the EU Savings Directive, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted the Amending Directive, amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect, the changes would expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed repeal of the EU Savings Directive from 1 January 2017, in the case of Austria, and from 1 January 2016, in the case of all other Member States, (subject in each case to on-going requirements to fulfil various obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before these dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also indicates that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Foreign Account Tax Compliance Act

FATCA imposes a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This foreign passthru payment withholding would potentially apply to payments in respect of (i) any Notes or Residual Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payments" are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes or Residual Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have entered into or announced their intention to enter into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "**Model 1 IGA**" and "**Model 2 IGA**" (each a "**Model IGA**") released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA (or any law implementing an IGA) (any such withholding being a "**FATCA Withholding**") from payments it makes. An FFI in a Model 2 IGA jurisdiction and a Participating FFI in a non-IGA jurisdiction may, depending on the circumstances, be required to make a FATCA Withholding in respect of certain payments from sources within the United States. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the "**U.S.-UK IGA**") based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the U.S.-UK IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes or Residual Certificates are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes or Residual Certificates is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA, or (ii) an investor is a Recalcitrant Holder.

While the Notes and Residual Certificates are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under or in respect of the Notes or Residual Certificates by the Issuer or any Paying Agent, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes or the Residual Certificates. The documentation expressly contemplates the possibility that the Notes or Residual Certificates may convert into definitive form and, therefore, that they may cease to be held through an ICSD. If this were to happen then, depending on the circumstances, a non-FATCA-compliant holder could be subject to FATCA Withholding. However, conversion into Registered Definitive Notes or Residual Certificates is only anticipated to occur in remote circumstances.

Notwithstanding this, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA Withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of FATCA Withholding, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA Withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. The Issuer's obligations under the Notes and the Residual Certificates are discharged once it has made payment to, or to the order of the ICSDs, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the U.S.-UK IGA, all of which are subject to change or may be implemented in a materially different form.

SUBSCRIPTION AND SALE

Macquarie Bank International Limited (the "**Arranger**") and Macquarie Bank International Limited and Merrill Lynch International (each, a "**Joint Lead Manager**" and together the "**Joint Lead Managers**") and the Retention Holder have, pursuant to a subscription agreement dated 14 July 2015 between the Seller, the Retention Holder, the Arranger, the Joint Lead Managers and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for:

- (a) in the case of the Joint Lead Managers:
 - (i) €138,570,000 of the Class A Notes at the issue price of 100% of the aggregate principal amount of the Class A Notes;
 - (ii) €19,220,000 of the Class B Notes at the issue price of 100% of the aggregate principal amount of the Class B Notes;
 - (iii) €7,390,000 of the Class C Notes at the issue price of 100% of the aggregate principal amount of the Class C Notes;
 - (iv) €5,360,000 of the Class D Notes at the issue price of 100% of the aggregate principal amount of the Class D Notes;
 - (v) €6,100,000 of the Class E Notes at the issue price of 100% of the aggregate principal amount of the Class E Notes;
 - (b) in the case of the Retention Holder:
 - (i) the Class F Notes at the issue price of 100% of the aggregate principal amount of the Class F Notes; and
 - (ii) the Subordinated Notes at the issue price of 100% of the aggregate principal amount of the Subordinated Notes,
- respectively as at the Closing Date.

The Issuer has agreed to indemnify the Retention Holder, the Arranger and the Joint Lead Managers against certain liabilities in connection with the issue of the Notes and the Residual Certificates.

Pursuant to the Subscription Agreement, the Retention Holder will undertake to the Joint Lead Managers and the Arranger to:

- (a) retain, on an on-going basis, a material net economic interest of not less than 5% in the securitisation established in accordance with the Transaction Documents for the purposes of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (or the corresponding law or rules of any applicable jurisdiction);
- (b) retain the Minimum Required Interest by holding an exposure in the first loss tranche in the securitisation in accordance with each of paragraph (d) of Article 405(1) of the CRR, paragraph (d) of Article 51(1) of the AIFM Regulation and Article 254 of the Solvency II Regulation, represented by the Class F Notes and the Subordinated Notes;
- (c) not change the manner in which it retains the Minimum Required Interest, except as permitted under the CRR, AIFMR or Solvency II;

- (d) not enter into any credit risk mitigation, short position or any other credit risk hedge with respect to such net economic interest, except to the extent permitted under the CRR, AIFMR or Solvency II;
- (e) comply with the disclosure obligations imposed on sponsors and originator credit institutions under Article 409 of the CRR by confirming the Retention Holder's risk retention as contemplated by Article 405 of the CRR and Article 51 of the AIFM Regulation through the provision of the information in this Prospectus, disclosure in the quarterly investor reports (as prepared by the Cash Manager) and procuring provision to the Joint Lead Managers and the Arranger and the Issuer access to any reasonable and relevant additional data and information referred to in Article 409 of the CRR, subject always to any requirement of law, provided that the Retention Holder will not be in breach of this paragraph (f) if it fails to so comply due to events, actions or circumstances beyond its control; and
- (f) immediately notify the Issuer, the Arranger, the Joint Lead Managers and the Security Trustee in writing if for any reason it fails to comply with the undertakings set out in paragraphs (a) to (e) above in any way,

such undertaking, the "**Risk Retention Undertaking**".

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

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager, the Retention Holder and the Seller has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Joint Lead Managers, the Retention Holder or the Seller nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Joint Lead Managers, the Retention Holder or the Seller to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

Each of the Joint Lead Managers, the Retention Holder and the Seller has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. See "*Transfer Restrictions and Investor Representations*" below.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers, the Retention Holder and the Seller has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ireland

Each of the Joint Lead Managers represents, warrants and undertakes to the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulation 2007 (Nos. 1 to 3) of Ireland, including Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 1963 to 2013 (as amended), the Irish Central Bank Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland with respect to the Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations, 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005, by the Central Bank of Ireland; and

- (d) it will not underwrite the issue of, place or otherwise act in Ireland with respect to the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations, 2005 (as amended) and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act, 2005 by the Central Bank of Ireland.

France

Each Joint Lead Manager, the Retention Holder and the Seller has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Germany

Each Joint Lead Manager, the Retention Holder and the Seller has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

General

Other than admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on its Main Securities Market, no action has been taken by the Issuer, the Arranger, the Joint Lead Managers, the Retention Holder or the Seller that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Issuer, the Arranger, the Joint Lead Managers, the Retention Holder and the Seller has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales

The Notes (including interests therein represented by a Global Note, a Registered Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States, provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes, such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (c) the Issuer, the Registrar, the Arranger and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on the Irish Stock Exchange's Main Securities Market will be granted on or around 17 July 2015.
2. None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware) since 14 April 2015 (being the date of incorporation of each of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. The accounting reference date of the Issuer is 31 March and the first statutory accounts of the Issuer will be drawn up to 31 March 2016. So long as the Notes are admitted to trading on the Irish Stock Exchange's Main Securities Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on the Irish Stock Exchange's Main Securities Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 14 April 2015 (being the date of incorporation of each of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
7. The issue of the Notes and the Residual Certificates was authorised pursuant to a resolution of the board of directors of the Issuer passed on 3 July 2015.
8. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

<u>Class of Notes/Residual Certificates</u>	<u>ISIN</u>	<u>Common Code</u>
Class A Notes	XS1241576922	124157692
Class B Notes	XS1241578118	124157811
Class C Notes	XS1241578381	124157838
Class D Notes	XS1241578548	124157854
Class E Notes	XS1241578894	124157889
Class F Notes	XS1241579868	124157986
Subordinated Notes	XS1241580106	124158010
Residual Certificates	XS1241580361	124158036

9. From the date of this Prospectus and for so long as the Notes are listed on the Irish Stock Exchange and admitted to trading on its Main Securities Market, physical copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of (a) below, at the

specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):

- (a) the memorandum and articles of association of each of the Issuer and Holdings;
 - (b) physical copies of the following documents:
 - (i) the Agency Agreement;
 - (ii) the Deed of Charge;
 - (iii) the German Security Agreement;
 - (iv) the Cash Management Agreement;
 - (v) the Master Definitions and Construction Schedule;
 - (vi) the Mortgage Sale Agreement;
 - (vii) the Corporate Services Agreement;
 - (viii) the Bank Account Agreement;
 - (ix) the Collection Account Pledge Agreement;
 - (x) the Master Servicing Agreement;
 - (xi) the Sub-Servicing Agreement;
 - (xii) the Share Trust Deed;
 - (xiii) the Trust Deed; and
 - (xiv) the Swap Agreement.
10. The Cash Manager on behalf of the Issuer will publish the quarterly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the website at <https://sf.citidirect.com>. Investor Reports will also be made available to the Seller and the Rating Agencies. In addition, information on the Mortgage Loans in the Portfolio will be published on the website at <https://sf.citidirect.com>. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Mortgage Loans.
11. The Issuer confirms that the Mortgage Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
12. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market of the Irish Stock Exchange.
13. Any website referred to in this document does not form part of the Prospectus

14. The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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