

IMPORTANT NOTICE

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THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER RELEVANT JURISDICTION. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A US PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT, OR PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OF THE UNITED STATES.

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OAK NO.1 PLC

(Incorporated in England and Wales with limited liability, registered number 08814635)

Class of Notes	Initial Principal Amount	Issue Price	Interest Rate	Relevant Margin	Step-Up Date	Ratings (Moody's/S&P)	Final Maturity Date
Class A Notes	£333,300,000	100 per cent.	3 month GBP LIBOR plus the Relevant Margin	Prior to the Step-Up Date 0.67 per cent. per annum and on and after the Step-Up Date 1.34 per cent. per annum	The Interest Payment Date falling in May 2019	Aaa(sf)/AAA(sf)	The Interest Payment Date falling in February 2052
Class Z VFN	£38,945,500 (being the initial Principal Amount subscribed for as at the Closing Date) up to a maximum of £500,000,000	100 per cent.	3 month GBP LIBOR plus the Relevant Margin	0.00 per cent. per annum	N/A	Not rated	The Interest Payment Date falling in February 2052

Issue Date The Issuer will issue the Notes in the classes set out above on 10 April 2014 (the **Closing Date**).

Underlying Assets The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue received from a portfolio comprising mortgage loans originated by Aldermore Bank PLC (the **Seller** or **Aldermore**) and secured over residential properties located in England and Wales (the **Portfolio**) which will be purchased by the Issuer on the Closing Date. See the section entitled "*Characteristics of the Portfolio*" for further details.

Credit Enhancement and Liquidity Support

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

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

Redemption Provisions Information on any optional and mandatory redemption of the Notes is summarised on page 70 (*Transaction Overview - Overview of the Terms and Conditions of the Notes*) and set out in full in Condition 7 (*Redemption*).

Rating Agencies Moody's Investors Service Limited (**Moody's**) and Standard & Poor's Credit Market Services Europe Ltd (**S&P** and, together with Moody's, the **Rating Agencies**). As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (as amended) (the **CRA Regulation**). As such each of the Rating Agencies is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

All references to "**Moody's**" and "**S&P**" in this Prospectus are to the entities as defined in the above paragraph.

Ratings Ratings are expected to be assigned to the Class A Notes as set out above on or before the Closing Date. The Class Z VFN will not be rated. The assignment of ratings to the Notes is not a recommendation to invest in the Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any credit rating assigned to the Notes may be revised or withdrawn at any time.

The rating of "Aaa(sf)" is the highest rating that Moody's assigns to long-term structured finance obligations. The rating of the Class A Notes by Moody's primarily addresses the expected credit loss posed to Class A

Noteholders on or before the legal final maturity of the Class A Notes. The rating of "AAA(sf)" is the highest rating that S&P assigns to long-term obligations. S&P ratings address only the credit risk associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

- Listing** This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the **Prospectus Directive**). This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**) as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Class A Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to Irish Stock Exchange Limited (the **Irish Stock Exchange**) for the Class A Notes to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Main Securities Market**). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive. The Class Z VFN will not be admitted to the Official List nor will it be admitted to trading on the Main Securities Market.
- Obligations** The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of Aldermore in particular, its affiliates or any other party named in the Prospectus other than the Issuer.
- Retention Undertaking** Aldermore will undertake to the Issuer that it will retain a material net economic interest of at least 5 per cent. in accordance with each of Article 405 of Regulation (EU) No.575/2013 (the Capital Requirements Regulation (the **CRR**)) and Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Managers Regulation (**AIFMR**) (which, in each case, does not take into account any corresponding national measures). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche, in this case the Class Z VFN, as required by Article 405 of the CRR and Article 51 of the AIFMR.
- Significant Investor** Aldermore will on the Closing Date purchase 100 per cent. of the issued amount of the Class Z VFN.

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

Arranger and sole Bookrunner

J.P. Morgan

Joint Lead Managers

J.P. Morgan

Lloyds Bank

The date of this Prospectus is 8 April 2014

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 FLOATING INTEREST RATE SWAP PROVIDER, THE FIXED INTEREST RATE SWAP PROVIDER, THE ARRANGER, THE JOINT LEAD MANAGERS, THE SERVICER, THE BACK-UP SERVICER, THE CASH MANAGER, THE BACK-UP CASH MANAGER, THE BACK-UP SERVICER FACILITATOR, THE CORPORATE SERVICES PROVIDER, THE ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, THE SWAP COLLATERAL ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE AGENT BANK, THE CLASS Z VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE FLOATING INTEREST RATE SWAP PROVIDER, THE FIXED INTEREST RATE SWAP PROVIDER, THE ARRANGER, THE JOINT LEAD MANAGERS, THE SERVICER, THE BACK-UP SERVICER, THE CASH MANAGER, THE BACK-UP CASH MANAGER, THE BACK-UP SERVICER FACILITATOR, THE CORPORATE SERVICES PROVIDER, THE ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, THE SWAP COLLATERAL ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE AGENT BANK, THE CLASS Z VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR BY ANY PERSON OTHER THAN THE ISSUER.

The Class A Notes will each initially be represented by a temporary global note in bearer form (each, a **Temporary Global Note**), without interest coupons attached. Each Temporary Global Note will be exchangeable, as described herein, for a permanent global note in bearer form which is recorded in the records of Euroclear System (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) (each, a **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes** and each, a **Global Note**) without interest coupons attached, not earlier than 40 calendar days and not later than 180 calendar days after the Closing Date (provided that certification of non-U.S. beneficial ownership has been received). The Global Notes will be deposited with a common safekeeper (the **Common Safekeeper**) for Euroclear and Clearstream, Luxembourg on or before the Closing Date. The Common Safekeeper will hold the Global Notes in custody for Euroclear and Clearstream, Luxembourg. The Notes, issued in new global note form and represented by the Global Notes may be transferred in book-entry form only. The Class A Notes will be issued in the denomination of £100,000 and integral multiples of £1,000 in excess thereof. Except in the limited circumstances described under "*Description of the Notes in Global Form and the Variable Funding Note — Issuance of Definitive Notes*", the Notes will not be available in definitive form (the **Definitive Notes**).

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

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

As at the date of this Prospectus notes denominated in Sterling are (temporarily) recognised as eligible collateral for the purposes of the funding programmes and liquidity schemes established by the European

Central Bank pursuant to Guideline of the European Central Bank (ECB/2012/23), subject to certain valuation markdowns described therein and certain other requirements of the European Central Bank.

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

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)) (**U.S. PERSONS**) NOR U.S. RESIDENTS (AS DETERMINED FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT) (**U.S. RESIDENTS**) 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*".

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

None of the Issuer nor the Arranger nor any of the Joint Lead Managers makes any representation to any prospective investor or purchaser of the Notes regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in this Prospectus) and, as far as the Issuer is aware

and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Aldermore accepts responsibility for the information set out in the sections headed "*Aldermore Bank PLC*", "*The Loans*", "*Characteristics of the Portfolio*", "*Characteristics of the United Kingdom Residential Mortgage Market*", "*EU Risk Retention Requirements*" and "*Historical Amortisation Rates of Aldermore Bank PLC Prime Mortgage Loans*". To the best of the knowledge and belief of Aldermore (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 Aldermore 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.

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

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

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

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

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

Forward-Looking Statements

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

The Notes may not be a suitable investment for all investors

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

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

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

advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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

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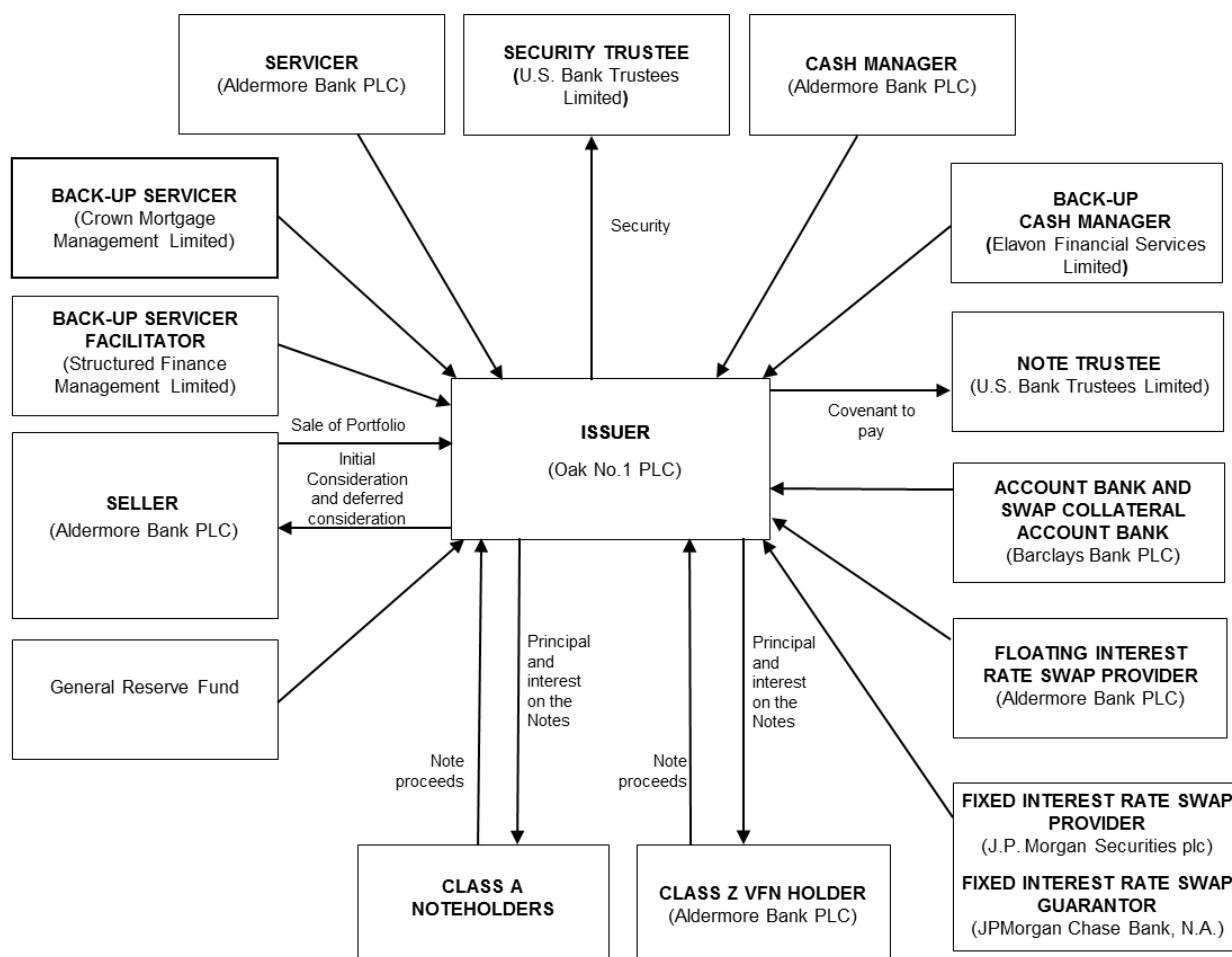
TRANSACTION OVERVIEW – STRUCTURE DIAGRAMS AND TRANSACTION PARTIES ON THE CLOSING DATE

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

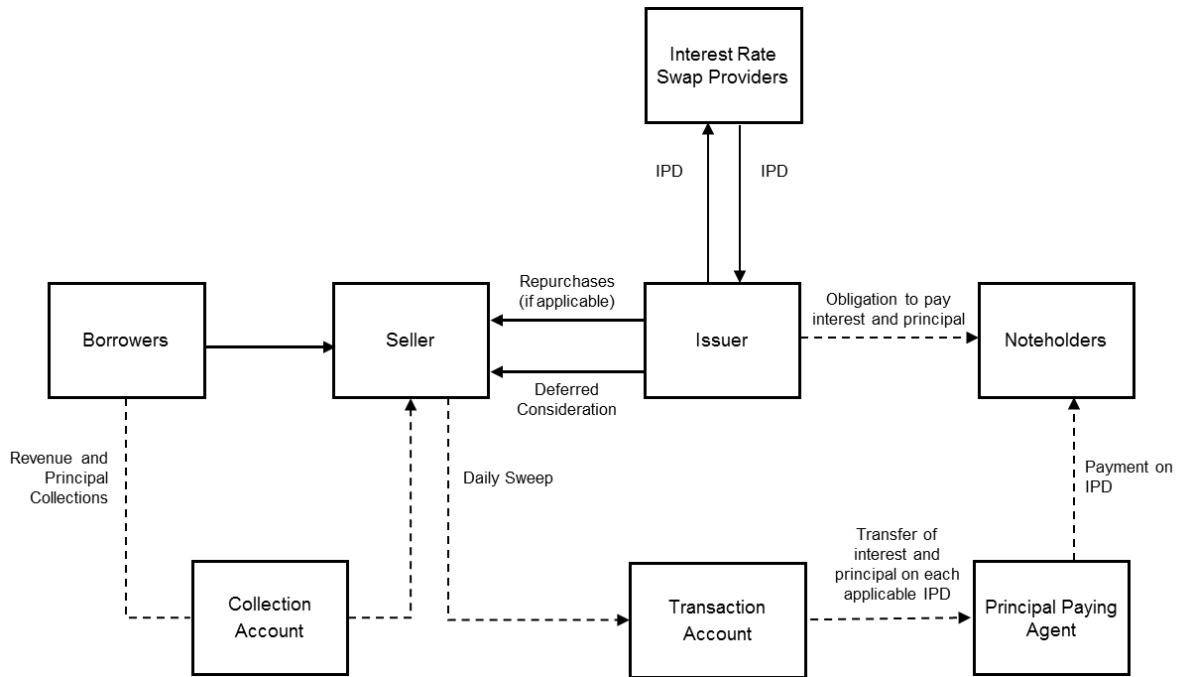
The information set out below is an overview of various aspects of the transaction. This overview is not purported to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.

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

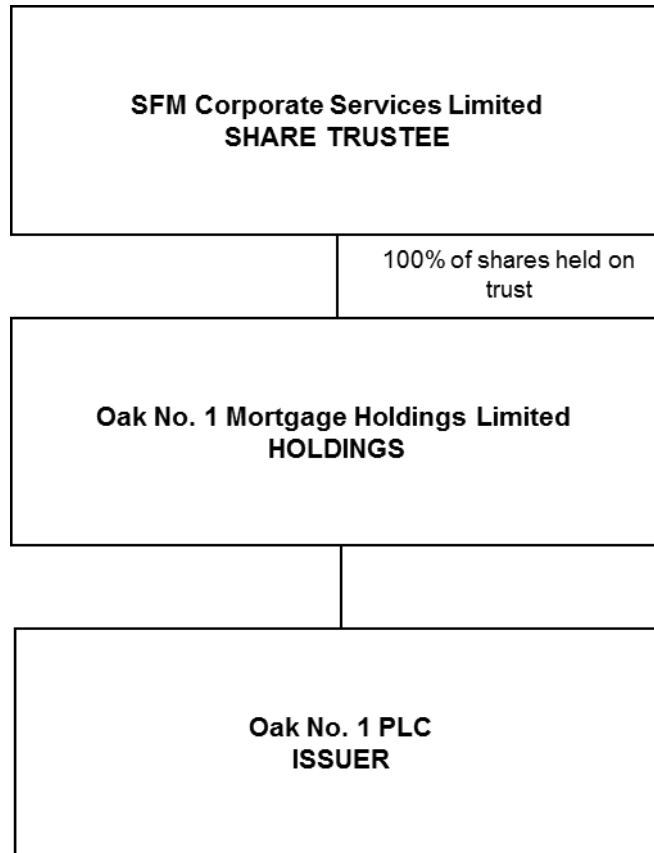
Capitalised terms used, but not defined, in certain sections of this Prospectus, including this overview, may be found in other sections of this Prospectus, unless otherwise stated. An index of defined terms is set out at the end of this Prospectus.



DIAGRAMMATIC OVERVIEW OF ON-GOING CASH FLOWS



OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER



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

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

TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed/Further Information
Issuer	Oak No.1 PLC	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
Holdings	Oak No.1 Mortgage Holdings Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
Seller	Aldermore Bank PLC	1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ	See the section entitled " <i>Aldermore Bank PLC</i> " for further information.
Servicer	Aldermore Bank PLC	1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ	Servicing Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " for further information.
Back-Up Servicer	Crown Mortgage Management Limited	Crown House, Crown Street, Ipswich, Suffolk IP1 3HS	Back-Up Servicing Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – Back-Up Servicing Agreement</i> " for further information.
Cash Manager	Aldermore Bank PLC	1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ	Cash Management Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management</i> "

Party	Name	Address	Document under which appointed/Further Information Agreement" for further information.
Back-Up Cash Manager	Elavon Financial Services Limited, acting through its UK branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Back-Up Cash Management Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – Back-Up Cash Management Agreement</i> " for further information.
Back-Up Servicer Facilitator	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Servicing Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " for further information.
Class Z VFN Holder	Aldermore Bank PLC	1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ	See the section entitled " <i>Aldermore Bank PLC</i> " for further information.
Fixed Interest Rate Swap Provider	J.P. Morgan Securities plc	25 Bank Street Canary Wharf London E14 5JP	Fixed Interest Rate Swap Agreement. See the section entitled " <i>Credit Structure – Interest Rate Risk for the Notes – Fixed Interest Rate Swap</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
Fixed Interest Rate Swap Guarantor	JPMorgan Chase Bank, N.A.	270 Park Avenue New York New York 10017-2070	Guarantee of the obligations of the Fixed Interest Rate Swap Provider under the Fixed Interest Rate Swap Agreement. See the section entitled " <i>Credit Structure – Interest Rate Risk for the Notes – Fixed Interest Rate Swap</i> " for further information.
Floating Interest Rate Swap Provider	Aldermore Bank PLC	1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ	Floating Interest Rate Swap Agreement. See the section entitled " <i>Credit Structure – Interest Rate Risk for the Notes – Floating Interest Rate Swap</i> " for further information.
Account Bank	Barclays Bank PLC	1 Churchill Place, London E14 5HP	The Bank Account Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – Bank Account Agreement</i> " for further information.
Security Trustee	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Deed of Charge. See the sections entitled " <i>Overview of the Terms and Conditions of the Notes – Security</i> ", " <i>Summary of the Key Transaction Documents – Deed of Charge</i> " and the Conditions for

Party	Name	Address	Document under which appointed/Further Information further information.
Note Trustee	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Trust Deed. See the sections entitled " <i>Summary of the Key Transaction Documents – Trust Deed</i> " and the Conditions for further information.
Principal Paying Agent and Agent Bank	Elavon Financial Services Limited, acting through its UK branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Agency Agreement. See the Conditions and the section entitled " <i>Summary of the Key Transaction Documents – Agency Agreement</i> " for further information.
Class Z VFN Registrar	Aldermore Bank PLC	1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ	See the Conditions for further information.
Corporate Services Provider	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – Corporate Services Agreement</i> " for further information.
Share Trustee	SFM Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Issuer Share Trust Deed.
Collection Account Bank	Barclays Bank PLC	1 Churchill Place, London E14 5HP	N/A
Arranger and Joint Lead Manager	J.P. Morgan Securities plc	25 Bank Street Canary Wharf London E14 5JP	See the section entitled " <i>Subscription and Sale</i> " for more

Party	Name	Address	Document under which appointed/Further Information information.
Joint Lead Manager	Lloyds Bank plc	25 Gresham Street London EC2V 7HN	See the section entitled " <i>Subscription and Sale</i> " for more information.

RISK FACTORS

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

Risks relating to Credit Structure and Credit Risk

Liabilities Under the Notes

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

Limited Source of Funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts from the Loans in the Portfolio, interest earned on the Bank Accounts and any Authorised Investments, amounts standing to the credit of the General Reserve Fund, and the receipts under the Interest Rate Swap Agreements. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The Relevant Margin payable by the Issuer in respect of the Class A Notes on and from the Step-Up Date will be 1.34 per cent. per annum. It is not expected that any additional sources of funds will be made available to the Issuer (including, without limitation, any additional Loans being made available by the Seller) in order for the Issuer to meet its payment obligations in respect of the increase in the Relevant Margin. The recourse of the Noteholders to the Charged Assets following service of a Note Acceleration Notice is described below (see further "*English law security and insolvency considerations*").

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

The yield to maturity of the Class A Notes will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Notes of each Class. Prepayments on the Loans may result from refinancing, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under the insurance policies. The repurchase of Loans required to be made under the Mortgage Sale Agreement will have the same effect as a prepayment of such Loans. In addition, should a Borrower elect, subject to the agreement of the Seller and the Servicer, to change the terms of their Loan from an Interest-only Loan to a Repayment Loan, the Issuer would receive principal payments in respect of the relevant Loan earlier than would otherwise be anticipated. The yield to maturity of the Notes of any Class may be adversely affected by, amongst other things, the rate of prepayments on the Loans.

The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, the competitiveness of replacement products, the impact of whether a Loan imposes an early repayment charge on a Borrower, the end of any incentive periods which a particular Borrower may currently be on, local and regional economic conditions and homeowner mobility. Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease, borrowers are generally more likely to prepay their mortgage loans. For instance, borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken). In addition, if the Seller is required to repurchase a Loan or Loans under a Mortgage Account and their Related Security because, for example, one of the Loans does not comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that Mortgage Account. Investors should note that until a planned system upgrade is completed by the Seller, all Loans which are subject to an Additional Borrowing will be required to be repurchased by the Seller (see further "*Additional Borrowings and Product Transfers*"). Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

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

On any Interest Payment Date (i) falling on or after May 2019 or (ii) on which the aggregate Principal Amount Outstanding of the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Class A Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer or the Interest Rate Swap Providers being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Class A Notes.

From and including the Step-Up Date, any Available Revenue Receipts remaining on any Interest Payment Date after any required credit has been made to the General Reserve Ledger will be diverted to Available Principal Receipts in order to repay principal amounts on the Class A Notes. This will result in additional funds being available to redeem the Class A Notes and may adversely affect the yield to maturity on the Class A Notes,

Limited Recourse

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

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal and interest),

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

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

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

Absence of Secondary Market

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

There is no secondary market for the Class Z VFN nor is it expected that one will develop.

Limited Secondary Market for Loans

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

Subordination of the Class Z VFN

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

Deferral of Interest Payments on the Class Z VFN

If, on any Interest Payment Date whilst any of the Class A Notes remain outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class Z VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 16 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class Z VFN becomes immediately due and repayable in accordance with the Conditions. Such deferral will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will not be entitled, under Condition 16 (*Subordination by Deferral*), to defer payments of interest in respect of the Class Z VFN.

Failure to pay interest on the Class A Notes or, if the Class A Notes have been redeemed in full, the Class Z VFN, shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

From and including the Step-Up Date, any Available Revenue Receipts remaining on any Interest Payment Date after any required credit has been made to the General Reserve Ledger will be diverted to Available Principal Receipts in order to repay principal amounts on the Class A Notes. As such, from and including the Step-Up Date and until the Class A Notes have been redeemed in full, the Issuer will not have funds to pay interest on the Class Z VFN.

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

As at the date of this Prospectus, the secondary market for mortgage-backed securities is continuing to experience significant disruptions resulting from reduced investor demand for such securities. At times, this has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities similar to the Class A Notes experiencing limited liquidity. Limited liquidity in the secondary market may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. It is not known for how long these market conditions will continue or whether they will worsen.

Whilst central bank schemes such as the Bank of England's Discount Window Facility, the Extended Term Collateral Repo and Funding for Lending Scheme and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, recent restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in the future under such facilities are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities for the purpose of such facilities.

It should also be noted that the market for the Notes is likely to be affected by any restructurings of sovereign debt by countries in the Eurozone. In particular, at the date of this Prospectus, certain governments are in discussions with other countries in the Eurozone and the International Monetary Fund and are in the process of establishing and implementing austerity programmes. It is unclear what the outcome of these discussions will be. This uncertainty may have implications for the liquidity of the Notes in the secondary market.

Economic Conditions in the Eurozone

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) have recently intensified. In particular, concerns have been raised with respect to current economic, monetary and political conditions in the Eurozone. If such concerns persist and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more Member States or institutions and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents (including the Seller, the Servicer, the Back-Up Servicer, the Back-Up Servicer Facilitator, the Cash Manager, the Back-Up Cash Manager, the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank and/or the Interest Rate Swap Providers) and/or any borrower in respect of the Loans. Given the current uncertainty and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

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

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, where the reversionary rate is the current Aldermore Managed Rate, in the Seller's mortgage terms, the reversionary rate for Borrowers reaching the end of their fixed periods may be lower than prevailing market rates. This would mean that it is less likely that they will refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment spreads and higher losses which could have an adverse effect on the Issuer's ability to make payments under the Notes.

Ratings of the Class A Notes and confirmation of ratings

The rating assigned to the Class A Notes by each Rating Agency is based, amongst other things, on the terms of the Transaction Documents and other relevant structural features of this transaction, including (but not limited to) the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings or issuer default ratings of the Interest Rate Swap Providers, the Back-Up Cash Manager, the Account Bank, the Collection Account Bank and the Swap Collateral Account Bank, a credit assessment of the Loans, and reflects only the views of each Rating Agency. The rating issued by Moody's addresses the expected loss posed to investors by the Final Maturity Date and considers the likelihood of timely payment to the Class A Noteholders of interest on each Interest Payment Date and ultimate payment of principal on the Final Maturity Date of the Class A Notes. The rating issued by S&P addresses the credit risk associated with the transaction.

The expected ratings of the Class A Notes assigned on the Closing Date are set out in "*Ratings*", below. 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, without limitation, a reduction in the credit rating of the Fixed Interest Rate Swap Provider and/or the Account Bank and/or the Collection Account Bank and/or the Back-Up Cash Manager and/or the Swap Collateral Account Bank) in the future so warrant. See also "*Change of Counterparties*" below.

Ratings by the Rating Agencies do not constitute recommendations to buy, sell, or hold any security, nor do they comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax exempt nature or taxability of any payments of any security.

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

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

The Class Z VFN will not be rated by the Rating Agencies.

Interest Rate Risk

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

To hedge its interest rate exposure in relation to the Fixed Rate Loans and the AMR Loans in the Portfolio and the amounts payable under the Notes, the Issuer will enter into the Fixed Interest Rate Swap Agreement with the Fixed Interest Rate Swap Provider and the Floating Interest Rate Swap Agreement with the Floating Interest Rate Swap Provider on the Closing Date (see "*Credit Structure — Interest Rate Risk for the Notes*" below).

The Fixed Interest Rate Swap Agreement is subject to a cap on the notional amount. This may result in the amount of interest rate risk being hedged by the Fixed Interest Rate Swap Agreement being less than the interest rate exposure in relation to the Fixed Rate Loans if the Seller does not comply with its obligations to repurchase Loans from the Issuer on a breach of the Loan Warranties or Asset Conditions. In addition, there is no mechanism by which Loans in arrears or defaulted Loans will be removed from the calculations of the notional amount under either the Fixed Rate Interest Swap Agreement or the Floating Interest Rate Swap Agreement. As a result, the notional amount of such transactions may be higher than the aggregate Current Balance of the Loans on which the Issuer is receiving payment.

The rates payable by the Issuer under each of the Interest Rate Swaps are not intended to be an exact match of the interest rates that the Issuer receives in respect of the relevant Loans in the Portfolio. As such, and given the considerations in the above paragraph, there may be circumstances in which the rate payable by the Issuer under an Interest Rate Swap exceeds the amount that the Issuer receives in respect of the relevant Loans in the Portfolio.

A failure by an Interest Rate Swap Provider to make timely payments of amounts due under any Interest Rate Swap Agreement will constitute a default thereunder. Each Interest Rate Swap Agreement provides that the Sterling amounts owed by the relevant Interest Rate Swap Provider on any payment date under the relevant Interest Rate Swap (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer on the same payment date. Accordingly, (i) if the amounts owed by the Issuer to an Interest Rate Swap Provider on a payment date are greater than the amounts owed by that Interest Rate Swap Provider to the Issuer on the same payment date, then the Issuer will pay the positive difference to that Interest Rate Swap Provider on such payment date; (ii) if the amounts owed by an Interest Rate Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to that Interest Rate Swap Provider on the same payment date, then that Interest Rate Swap Provider will pay the positive difference to the Issuer on such payment date; and (iii) if the amounts owed by both parties are equal on a payment date, neither party will make a payment to the other on such payment date. To the extent that an Interest Rate Swap Provider defaults in its obligations under an Interest Rate Swap

Agreement to make payments to the Issuer in Sterling, then the Issuer will be exposed to the possible variance between the interest rates payable on the relevant Loans in the Portfolio and Three-Month Sterling Libor. Further, if an Interest Rate Swap Provider fails to pay any amounts when due under an Interest Rate Swap Agreement, the Available Revenue Receipts may be insufficient to make the required payments on the Notes and the Noteholders may experience delays and/or reductions in the interest payments due to be received by them.

Each Interest Rate Swap Provider will be obliged to make payments under the relevant Interest Rate Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the relevant Interest Rate Swap Provider will be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount that the Issuer would have received had no such withholding or deduction been required.

Each Interest Rate Swap Agreement will provide, however, that in case of certain tax-related events, the relevant Interest Rate Swap Provider may transfer its respective rights and obligations to another of its offices, branches or affiliates to avoid the relevant tax event triggering a termination of the relevant Interest Rate Swap. If an Interest Rate Swap Provider is unable to transfer its rights and obligations under the relevant Interest Rate Swap Agreement to another office, branch or affiliate, it will have the right to terminate the relevant Interest Rate Swap Agreement. Upon such termination, the Issuer or the relevant Interest Rate Swap Provider may be liable to make a termination payment to the other party.

In the event that both the Fixed Interest Rate Swap Provider and the Fixed Interest Rate Swap Guarantor do not have the Required Ratings the Fixed Interest Rate Swap Provider is obliged to take certain actions (depending on which Required Rating has been breached).

Such actions may include providing collateral for the Fixed Interest Rate Swap Provider's obligations under the Fixed Interest Rate Swap Agreement, arranging for its obligations under the Fixed Interest Rate Swap Agreement to be transferred to an entity with the Required Ratings, or procuring another entity with the Required Ratings to become a guarantor in respect of its obligations. Which action is required will depend, inter alia, on the rating of the Fixed Interest Rate Swap Provider and Fixed Interest Rate Swap Guarantor following the loss of the Required Ratings.

The Issuer may terminate the Fixed Interest Rate Swap Agreement if the Fixed Interest Rate Swap Provider fails:

- (a) in the case of S&P and Moody's, to provide collateral within the time period stipulated in the Fixed Interest Rate Swap Agreement following breach of the Required Ratings resulting in an obligation to provide collateral;
- (b) in the case of S&P, where the Fixed Interest Rate Swap Provider is obliged to use commercially reasonable efforts to obtain a guarantor with the Required Ratings or transfer to another entity with the Required Ratings and the Fixed Interest Rate Swap Provider fails to use such efforts; or
- (c) in the case of S&P and Moody's, where the Fixed Interest Rate Swap Provider is obliged to use commercially reasonable efforts to obtain a guarantor with the Required Ratings or transfer to another entity with the Required Ratings and no such action has occurred but the relevant time period has elapsed and one or more third parties has provided a quote for the Fixed Interest Rate Swap.

However, in the event that a breach of the Required Ratings as outlined above occurs, there can be no assurance that a guarantor or replacement fixed interest rate swap provider will be found or that the amount of collateral provided will be sufficient to meet the Fixed Interest Rate Swap Provider's obligations. Unless

one or more comparable replacement fixed interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.

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

Each Interest Rate Swap Agreement will be terminable early by one party if an Early Termination Event occurs, which includes, *inter alia*, (i) an Event of Default or Termination Event (as defined in the relevant Interest Rate Swap Agreement) occurring in relation to the other party; (ii) a Note Acceleration Notice being served; or (iii) the Notes being redeemed pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in full*) or 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*). Events of default under the Interest Rate Swap Agreements in relation to the Issuer will be limited to (i) non-payment under the relevant Interest Rate Swap Agreement and (ii) insolvency events.

Each of the Fixed Interest Rate Swap and the Floating Interest Rate Swap will terminate on or around the earlier of (i) the date on which an Early Termination Event occurs; (ii) the date on which the Class A Notes are redeemed in full on their Final Maturity Date or in accordance with Condition 7.2 (*Mandatory Redemption*); and (iii) in the case of the Fixed Interest Rate Swap the date on which the aggregate of the Current Balances of the Fixed Rate Loans is reduced to zero following either (a) the Step-Up Date or (b) the early termination of the Back-to-Back Swap.

If a replacement swap is entered into, this may be on terms less favourable to the Issuer and therefore may mean that reduced amounts are available for distribution by the Issuer to the Secured Creditors (including *inter alia*, the Noteholders). The Issuer may not be able to enter into a replacement Interest Rate Swap with a replacement interest rate swap provider immediately or at a later date.

There is no concept of required ratings for the Floating Interest Rate Swap Provider in relation to the Floating Interest Rate Swap Agreement. The Floating Interest Rate Swap Provider is currently an unrated entity and the Floating Interest Rate Swap Agreement will not be compliant with the criteria of the Rating Agencies. As a result, no collateral will be provided following a deterioration in the credit standing of the Floating Interest Rate Swap Provider. If the Floating Interest Rate Swap were to terminate the absence of any collateral may increase the risk that the Floating Interest Rate Swap Provider defaults in making a termination payment due from it to the Issuer. There is also no requirement on the Floating Interest Rate Swap Provider to find a replacement following a deterioration in the credit standing of the Floating Interest Rate Swap Provider. This may increase the risk that the Floating Interest Rate Swap Agreement is terminated in circumstances where the Floating Interest Rate Swap Provider has entered into insolvency proceedings. As a result of the above, following a termination of the Floating Interest Rate Swap Agreement there may be a risk that the Issuer will have insufficient funds to make payments on the Notes and/or enter into a replacement floating rate interest rate swap. However, if the Floating Interest Rate Swap Agreement is terminated and no replacement floating interest rate swap can be entered into then the Issuer has covenanted to maintain (and, if necessary, set) the Issuer Aldermore Managed Rate at a rate of at least Three Month Sterling LIBOR plus 2.00 per cent. in order to assist it in meeting its obligations under the Notes.

In the case of the termination of the Fixed Interest Rate Swap Agreement, the risk of a difference between the rate of interest to be received by the Issuer on the Loans in the Portfolio subject to fixed interest rates and the rate of interest payable by the Issuer on the Notes will not be hedged, and so the funds available to the Issuer to pay any interest on the Notes will be reduced if the interest revenues received by the Issuer on

such Loans in the Portfolio are lower than the rate of interest payable by it on the Notes. In these circumstances, the holders of Notes may experience delays and/or reductions in the interest payments to be received by them, and the ratings of the Class A Notes may also be downgraded.

Termination payments under Interest Rate Swaps

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

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

No assurance can be given as to the ability of the Issuer to enter into one or more replacement interest rate swaps, or if one or more replacement interest rate swaps are entered into, as to the credit rating of an Interest Rate Swap Provider for the replacement interest rate swaps.

European Market Infrastructure Regulation EU 648/2012

The European Market Infrastructure Regulation EU 648/2012 (**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 comply with requirements related to timely confirmation of terms, portfolio reconciliation, dispute resolution, daily valuation and margin posting (together, the "**risk mitigation techniques**"). The clearing obligation and the margin requirements do not yet apply but may apply from later in 2014 and from 2015 respectively.

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 or if the relevant contract is not a type required to be cleared, it may be subject to enhanced risk mitigation obligations, including the margin posting requirement.

Key aspects of the clearing and margin requirements remain unclear. If the Issuer becomes subject to the clearing obligation and/or margin requirements in respect of an Interest Rate Swap, then the relevant Interest Rate Swap Provider may terminate the relevant Interest Rate Swap. In such circumstances, due to the termination of the relevant Interest Rate Swap 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 Interest Rate Swap 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.

UK Government Guarantee Schemes not applicable

The Notes are obligations of the Issuer only and any potential investors should be aware that they will not have recourse to any guarantee or compensation scheme operated by the UK government in relation to an investment in the Notes.

Help to Buy Scheme not applicable to Loans in the Portfolio

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to Borrowers for the purchase of new homes. The shared equity loans were available from 1 April 2013. No shared equity loans are included in the Portfolio. The second involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio. The guarantee loans were available from 1 October 2013 (each of the loans under this scheme, a **Help to Buy Loan**). The Loans in the Portfolio do not benefit from any guarantee provided under the Help to Buy Scheme and the Portfolio does not contain any Help to Buy Loans.

Rights of Noteholders and Secured Creditors

Conflict between Noteholders

The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee to have regard to the interests of the Class A Noteholders and the Class Z VFN Holder equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise).

If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the holders of the Class A Notes and the holders of the Class Z VFN, the Note Trustee will be required to have regard only to the interests of the holders of the Class A Notes and will not have regard to the interests of the holders of the Class Z VFN.

Aldermore will not have any voting rights in respect of any Notes (unless Aldermore or any of its Subsidiaries or Holding Companies (or Subsidiaries of such Holding Companies) holds all of the Relevant Class of Notes).

Conflict Between Noteholders and other Secured Creditors

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed and Condition 12.4 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

Aldermore will purchase the Class Z VFN (see "*Subscription and Sale*" below). However, pursuant to the terms of the Trust Deed, the Notes held or controlled for or by any of Aldermore or the Issuer or any of their Holding Companies or Subsidiaries (or Subsidiaries of such Holding Companies), will not be taken into account by the Note Trustee or the Security Trustee, as applicable, for the purposes of: (i) the right to attend

and vote at any meeting of the Noteholders of any Class or any written resolution, (ii) the determination of how many and which Notes are outstanding for the purposes of action, proceedings and indemnification by the Note Trustee, meetings of the Noteholders, events of default and enforcement, (iii) any discretion, power or authority which the Security Trustee and/or the Note Trustee is required to exercise by reference to the interests of the Noteholders of any Class and (iv) the determination by the Note Trustee of whether something is materially prejudicial to the interests of the Noteholders or any Class thereof except, in the case of Aldermore, Aldermore or any of its Subsidiaries or Holding Companies (or Subsidiaries of such Holding Companies) holding all of the relevant class of notes and there being no *pari passu* or junior classes of Notes which they do not also hold in their entirety.

Aldermore acts in various capacities in the transaction, including as the Servicer and the Cash Manager. Actual or potential conflicts may arise between the interests of such entities and the interests of the Issuer and the Noteholders.

Meetings of Noteholders, Modification and Waivers

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

The Conditions also provide that the Note Trustee or, as the case may be, the Security 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) but without the consent or sanction of the Noteholders or any of the other Secured Creditors (i) may agree to (other than in respect of a Basic Terms Modification) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions of the Notes or any of the Transaction Documents which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders or (where the Note Trustee determines that there is a conflict between the interests of the Class A Noteholders and the interests of the Class Z VFN Holder), the Class A Noteholders or (ii) may agree to any modification which, in the Note Trustee's or, as the case may be, the Security Trustee's, opinion, is of a formal, minor or technical nature or to correct a manifest error or (iii) may agree to any modifications to the Transaction Documents and/or the Conditions that are requested by the Issuer in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to receipt by the Note Trustee and the Security Trustee of a certificate of the Issuer certifying to the Note Trustee and the Security Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR, provided that neither the Note Trustee nor the Security Trustee shall be obliged to agree to any such modification which, in the sole opinion of the Note Trustee or the Security Trustee, would have the effect of (a) exposing the Note Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Note Trustee and/or the Security Trustee under the Transaction Documents and/or the Conditions. The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to any specified conditions, be treated as such. See "Terms and Conditions of the Notes – Condition 12 (*Meetings of Noteholders, Modification, Waiver*)" below.

The written consent of an Interest Rate Swap Provider is required to modify any provision of the Transaction Documents or the Conditions of the Notes if such modification would affect the amount, timing or priority of payments or deliveries due from the Issuer to the relevant Interest Rate Swap Provider or from the relevant Interest Rate Swap Provider to the Issuer. Any failure to obtain such written consent will entitle that Interest Rate Swap Provider to terminate the relevant Interest Rate Swap Agreement.

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

So long as no Class A Notes remain outstanding, upon the occurrence of an Event of Default, the Note Trustee shall, if so directed in writing by the holders of the Class Z VFN (subject to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with Accrued Interest as provided in the Trust Deed.

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including the Conditions) and/or (in the case of the Security Trustee) the Deed of Charge or (in either case) of the other Transaction Documents to which it is a party and at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion 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 a Note Acceleration Notice in accordance with Condition 10 (*Events of Default*)) unless:

- (a) it shall have been directed to do so by (i) an Extraordinary Resolution of the Class A Noteholders or (ii) in writing by the holders of at least 25 per cent. in Principal Amount Outstanding of the Class A Notes then outstanding or (iii) if there are no Class A Notes then outstanding, the Class Z VFN Holder; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction,

provided that the Note Trustee or the Security Trustee shall not, and shall not be bound to, act at the direction of the Class Z VFN Holder as aforesaid so long as any Class A Notes are outstanding. If the Note Trustee or the Security Trustee fail to exercise their discretion where they have not been directed as described above, it may adversely affect the ability of the Issuer to make payments on the Notes following the service of a Note Acceleration Notice.

See further "*Terms and Conditions of the Notes – Condition 11 (Enforcement)*" below.

In addition, each of the Note Trustee and the Security Trustee benefit from indemnities given to them by the Issuer pursuant to the Transaction Documents.

Book-Entry Interests

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

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

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

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

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

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

Definitive Notes and denominations in integral multiples

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

of such holding and may need to purchase a principal amount of Notes such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount).

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

Mortgage Administration and Third Party Credit Risk

Issuer Reliance on other Third Parties

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Interest Rate Swap Providers have agreed to provide hedging to the Issuer pursuant to the Interest Rate Swap Agreements, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Account Bank has agreed to provide the Transaction Account to the Issuer pursuant to the Bank Account Agreement, the Swap Collateral Account Bank will provide the Swap Collateral Account to the Issuer pursuant to the Bank Account Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing Agreement, the Back-Up Servicer has agreed to provide back-up services pursuant to the Back-Up Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, the Back-Up Cash Manager has agreed to provide back-up cash management services pursuant to the Back-Up Cash Management Agreement, the Back-Up Servicer Facilitator has agreed to assist in appointing a replacement back-up servicer pursuant to the Servicing Agreement and the Paying Agents, the Class Z VFN 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, Noteholders may be adversely affected. In particular:

- (a) any failure or delay in the delivery of a Servicer Report to the Cash Manager could affect the payment of interest and principal on the Notes (as to which see Condition 5.9 (*Determinations and Reconciliation*)) and Noteholders acquiring or disposing of an interest in the Notes following such delay or failure may be adversely affected by any subsequent reconciliations made under Condition 5.9 (*Determinations and Reconciliation*) in respect of payments of principal and interest made in the Notes on the basis of estimations made in the absence of a Servicer Report;
- (b) any failure or delay in the appointment of a replacement back-up servicer may adversely affect the receipt of collections on the underlying Loans and their Related Security, which would adversely affect payments on the Notes; and
- (c) while the Back-Up Servicer or the Back-Up Cash Manager is in place, there is no assurance that either will be able to commence their relevant obligations in a timely manner (in particular if there is a default of the Servicer or Cash Manager shortly after the Closing Date and the Back-Up Servicer or Back-Up Cash Manager (as applicable) has not had sufficient time to undertake in full its review of the requirements).

The Interest Rate Swap Providers have agreed to provide hedging to the Issuer and investors should be aware that, further to EMIR, the Issuer is subject to certain regulatory requirements including, but not limited to, reporting transactions to a trade repository or the European Securities and Markets Authority (“ESMA”) and various compliance requirements for non-cleared OTC derivative transactions (known as the “risk mitigation techniques”) which may result in future amendments by the Issuer to the Transaction Documents (see *Terms and Conditions of the Notes – Modifications and Waiver* and the risk factor entitled “*Meetings of Noteholders, Modification and Waivers*”), in particular where Noteholder consent will not be required for such amendments. The “risk mitigation techniques” include requirements for timely confirmation, portfolio

reconciliation, and dispute resolution. As at the Closing Date, the Cash Manager will agree to provide services to the Issuer which are required in order for the Issuer to comply with its obligations under EMIR, to the extent that they may be delegated. In addition, such regulatory requirements may give rise to additional costs and expenses for the Issuer which would be payable prior to making payments on the Notes and, to the extent not adhered to, result in the Issuer being in breach of such regulatory requirements. 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 (including as a result of insolvency of such parties), payments on the Notes may be adversely affected. Certain portfolio reconciliation and dispute resolution services will continue to be provided by Aldermore to the Issuer notwithstanding the termination of the appointment of Aldermore as Cash Manager or Aldermore's subsequent replacement as Cash Manager. See the section entitled "*Summary of the Key Transaction Documents – Cash Management Agreement*" for further information.

The Servicer

Aldermore has been appointed by the Issuer as the Servicer to service the Loans. If the Servicer breaches the terms of the Servicing Agreement, then (prior to the delivery of a Note Acceleration Notice and with the prior written consent of the Security Trustee) the Issuer or (after delivery of a Note Acceleration Notice) the Security Trustee will be entitled to terminate the appointment of the Servicer in accordance with the terms of the Servicing Agreement and the Back-Up Servicer will be required by notice to act as servicer within 60 calendar days of receipt of such notice of termination, as set out in the Back-Up Servicing Agreement, provided that the Back-Up Servicer shall not be obliged to act as servicer before the date falling 90 days after the Closing Date.

There can be no assurance that the Back-Up Servicer will be able to perform its obligation under the Back-Up Servicing Agreement, in which case there can be no assurance that a replacement servicer with sufficient experience of servicing loans would be found who would be willing and able to service the Loans on the terms, or substantially similar terms, of the Servicing Agreement, although such risk is mitigated by the terms of the Servicing Agreement pursuant to which the Back-Up Servicer Facilitator, in certain circumstances, shall assist the Issuer in appointing a replacement Servicer and/or replacement Back-Up Servicer. Further, it may be that the terms on which a replacement servicer may be appointed are substantially different from those set out in the Servicing Agreement and the terms may be such that the Noteholders are adversely affected. In addition, as described below, any replacement servicer will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the **FSMA**) in order to service the Loans. The ability of a replacement servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a replacement servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

You should note that the Servicer has no obligation itself to advance payments to the Issuer that Borrowers fail to make under a Loan.

Certain material interests

The Arranger and the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Aldermore. J.P. Morgan Securities plc is acting as Arranger, as a Joint Lead Manager and as Fixed Interest Rate Swap Provider, Lloyds Bank plc is acting as a Joint Lead Manager, Barclays Bank PLC is acting as the Account Bank, the Collection Account Bank and as the Swap Collateral Account Bank, Elavon Financial Services Limited will act as the Paying Agent, the Agent Bank, the Common Safekeeper, the Common Service Provider and the Back-Up Cash Manager and Structured Finance Management Limited will act as the Back-up Servicer Facilitator and the Corporate Services Provider. Other parties to the transaction may also perform multiple roles, including Aldermore, who will act as (among other roles) the Servicer, the Cash Manager and the Floating Interest Rate Swap Provider.

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

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

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

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

Borrowers may default on their obligations under the Loans in the Portfolio. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

In order to enforce a power of sale in respect of a mortgaged property in England or Wales, the relevant mortgagee must first obtain possession of the relevant property. Possession is usually obtained by way of a court order or decree. This can be a lengthy and costly process and will involve the mortgagee assuming certain risks. In addition, once possession has been obtained, a reasonable period must be allowed for marketing the property, to discharge obligations and to take reasonable care to obtain a proper price. If obtaining possession of properties and arranging a sale in such circumstances is lengthy or costly, the Issuer's ability to make payments on the Notes may be reduced. The Issuer's ability to make such payments may be reduced further if the powers of a mortgagee in relation to obtaining possession of properties permitted by law, are restricted in the future.

Change of Counterparties

The parties to the Transaction Documents who receive and hold monies or provide support to or (in relation to the Fixed Interest Rate Swap Provider only) provide hedging for the transaction pursuant to the terms of such documents (such as the Account Bank, the Swap Collateral Account Bank and the Fixed Interest Rate Swap Provider) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed under the FSMA. They also include the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the

rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. This may reduce amounts available to the Issuer to make payments of interest on the Notes.

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

The Portfolio

Decline in house prices may adversely affect the performance and market value of the Notes

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

The Issuer cannot guarantee that the value of a property will remain at the same level as on the date of origination of the related Loan. The recent downturn in the United Kingdom economy had a negative effect on the housing market. However, the earliest date of origination of the Loans and their Related Security comprised in the Provisional Pool Date Portfolio is 2010 and since then the performance of the residential property market in the United Kingdom has stabilised and improved. Nevertheless, a fall in property prices resulting from a further deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds of a sale are insufficient to redeem the outstanding loan. If the value of the Related Security backing the Loans is reduced this may ultimately result in losses to Noteholders if the Related Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

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

Characteristics of the Portfolio

The information in the section headed "*Characteristics of the Portfolio*" has been extracted from the systems of the Seller as at the Provisional Pool Date. The Portfolio will be randomly selected from the Provisional Pool Date Portfolio. The Provisional Pool Date Portfolio comprises 2,686 Loans with an aggregate Current Balance of £362,282,683.40. 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 loans prior to 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 Provisional Pool Date Portfolio and the Portfolio, or the characteristics of the Provisional Pool Date Portfolio between the Provisional Pool Date and the Closing Date.

Geographic Concentration Risks

The Portfolio may also be subject to geographic concentration risks within certain regions of England and Wales. To the extent that specific geographic regions within England and Wales have experienced or may

experience in the future weaker regional economic conditions and housing markets than other regions in England and Wales, a concentration of the Loans in such a region may be expected to exacerbate the risks relating to those Loans. Certain geographic regions within England and Wales rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the Borrowers in that region or the region that relies most heavily on that industry. Any natural disasters in a particular region may reduce the value of affected Properties. This may result in a loss being incurred upon sale of the Property. These circumstances could affect receipts on the Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Loans as at the Provisional Pool Date, see "*Characteristics of the Portfolio — Geographical Distribution*".

Insurance Policies

Although it is a requirement of the Mortgage Conditions that a Borrower insures the relevant Property on and from the date the Mortgage is granted to the Seller, the Seller does not on an ongoing basis verify if buildings insurance has been taken out by a Borrower. As such, the Seller cannot be certain that a Borrower has taken out or maintained buildings insurance or that any such cover would be sufficient to cover any loss and/or that the Seller's interest has been advised to the relevant insurer.

For more information on the policies of the Seller in relation to buildings insurance and Properties where the Seller is aware that adequate insurance is not in place, please see "*The Loans — Insurance Policies*" below. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable insurance contracts. This could adversely affect the Issuer's ability to redeem the Notes.

Searches, Investigations and Warranties in Relation to the Loans

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Loans and their Related Security sold to the Issuer on the Closing Date and will give similar warranties to each of the Issuer and the Security Trustee regarding any Additional Borrowings or Product Transfers, at the last day of the Monthly Period in which such Additional Borrowing or Product Transfer occurs (see "*Summary of Key Transaction Documents — Mortgage Sale Agreement*" below for a summary of these).

Neither the Note Trustee, the Security Trustee, the Arranger, the Joint Lead Managers nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date or on the last day of the Monthly Period in which the Additional Borrowing or Product Transfer (as applicable) was made, which breach is not remedied within 30 days after receiving written notice of such breach, is that the Seller shall be required to repurchase the relevant Loan and its Related Security in accordance with the repurchase provisions in the Mortgage Sale Agreement. It should also be noted that any warranties made by the Seller in relation to Additional Borrowings and/or Product Transfers may be amended from time to time and differ from the warranties made by the Seller at the Closing Date without the consent of the Noteholders, provided that the Security Trustee has given its consent to such amendments (and for such purpose, the Security Trustee may, but is not obliged to, have regard to any confirmation from the Rating Agencies that certain actions proposed to be taken by the Issuer and the Security Trustee will not have an adverse effect on the then current rating of the Notes (a **Ratings Confirmation**) (and, for the avoidance of doubt, the Rating Agencies will not be required to provide such confirmation)). Changes to the warranties may affect the quality of Loans in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes. Where the Seller is required to repurchase because the Loan Warranties are not true, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the

Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

Rating Agency Confirmations

The Conditions provide that 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 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 Ratings Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by two directors certifying and confirming that each of the events in subparagraphs (i) (A) or (B) and (ii) has occurred following the delivery by or on behalf of the Issuer of a written request to each Rating Agency. Where a Rating Agency Confirmation is a condition to any action or step under any Transaction Document and it is deemed to be modified as a result of a Non-Responsive Rating Agency not having responded to the relevant request from the Issuer within 30 days, there remains a risk that such Non-Responsive Rating Agency may subsequently downgrade, qualify or withdraw the then current ratings of the Class A Notes as a result of the action or step. Such a downgrade, qualification or withdrawal to the then current ratings of the Class A Notes may have an adverse effect on the value of the Class A Notes.

Interest-Only Loans

Each Loan in the Portfolio may be repayable either on a capital repayment basis or an interest-only basis (see "*The Loans — Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Seller requires that the Borrower has a credible repayment strategy such as an investment policy in place to ensure that funds will be available to repay the capital at the end of the term. The Seller requires a declaration from the Borrower confirming the repayment strategy but does not take security over the repayment vehicle. Where the repayment vehicle is the sale of the Property the Seller also requires that the Borrower has a minimum amount of equity in the relevant Property at the end of the term of the Loan (£150,000 or £250,000 for Properties located in London and the South East) and the maximum LTV is 75%. This practice was implemented in November 2013. Prior to November 2013, no declaration was required from the Borrower although proof of the repayment vehicle was still required, the maximum LTV was 80% and where the repayment vehicle was the sale of the Property there was no separate minimum level of equity for London and the South East. Loans originated under both practices are included in the Portfolio.

In compliance with forthcoming regulations which will be effective from 26 April 2014, Borrowers will be reminded at the half way point and three quarter point in the term of their Mortgage that their repayment vehicle will be required to repay the mortgage at end of its term and all new applications (for both new loans and Additional Borrowings) will be assessed for affordability purposes as if such Loan was a Repayment Loan.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-only Loan (as defined in "*The Loans —*

Repayment Terms" below) at maturity without resorting to the sale of the underlying property depends on such Borrower's ability to ensure that sufficient funds are available from a given source such as pension policies, PEPs, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. In recent times, mortgage lenders have maintained stricter conditions to the advancing of interest-only (and other) mortgage loans. If a Borrower cannot repay an Interest-only Loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

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

Additional Borrowing and Product Transfers

The Seller or the Servicer (on behalf of the Seller) may offer a Borrower, or a Borrower may request, an Additional Borrowing or a Product Transfer from time to time. Any Loan which has been the subject of an Additional Borrowing or a Product Transfer following an application by the Borrower will remain in the Portfolio. If the Issuer subsequently determines that any Additional Borrowing or Product Transfer does not satisfy the Asset Conditions, as at the last day of the Monthly Period in which the relevant Additional Borrowing or Product Transfer was made (and as determined on the relevant Monthly Test Date), and such default is not remedied in accordance with the Mortgage Sale Agreement, the Seller will be required to repurchase the relevant Loan and its Related Security. Until a planned change to the systems of the Seller occurs (currently planned to occur during 2014) an Additional Borrowing in relation to a Loan will result in such Loan being redeemed and a new Loan being created. As such, until the system modification takes effect, Loans which are subject to an Additional Borrowing will breach Loan Warranty (f) and the Seller will be required to repurchase such Loans. See further "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Repurchase by the Seller*".

It should be noted that any Loan Warranty made by the Seller in relation to an Additional Borrowing and/or Product Transfer may be amended from time to time and such changes will be notified to the Rating Agencies. The consent of the Noteholders in relation to such amendments will not be obtained if the Security Trustee has given its prior consent to such amendment (and for such purpose, the Security Trustee may, but is not obliged to, have regard to any Ratings Confirmation in respect of those amendments). Where the Seller is required to repurchase because the Loan Warranties are not true, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

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

Further, there may be circumstances in which a Borrower might seek to argue that any Loan, Additional Borrowing or Product Transfer is wholly or partly unenforceable by virtue of non-compliance with the FSMA or the CCA as further discussed below.

If this were to occur, then this could adversely affect the Issuer's ability to make payments due on the Notes or to redeem the Notes.

Mortgage repossessions

A protocol for mortgage repossession cases in England and Wales came into force on 19 November 2008, which sets out the steps that judges will expect any lender to take before starting a claim. The Seller follows this protocol and the current policy of the Seller is not to start repossession proceedings until a Borrower is at least three months in arrears. The application of such moratorium may be subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Mortgage Repossessions (Protection of Tenants etc.) Act 2010 (the **Repossession Act**) came into force on 1 October 2010. The Repossession Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

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

Legal, Tax and Regulatory

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 Class A 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), administrative practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

Seller to Initially Retain Legal Title to the Loans and Risks Relating to Set-off

The sale by the Seller to the Issuer of the Loans and their Related Security (until legal title is conveyed) takes effect in equity only. This means that legal title to the Loans in the Portfolio and their Related Security will remain with the Seller until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*Summary of the Key Transaction Documents — Mortgage Sale Agreement*" below). Until such time, the assignment by the Seller to the Issuer of the Loans and their Related Security takes effect in equity only. The Issuer has not and will not apply to the Land Registry to register or record its equitable interest in the Loans and Related Security.

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby, a *bona fide* purchaser from the Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the Issuer would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or from fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents.

Further, prior to the insolvency of the Seller, unless notice of the assignment was given to a Borrower who is a creditor of the Seller in the context of the Loans and their Related Security, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the Seller

under the relevant Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment is given to the Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given.

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

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

Once notice has been given to the Borrowers of the assignment of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller (such as set-off rights not associated with or connected to the relevant Loan) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist.

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

Banks, insurance companies and other financial institutions in the UK are subject to the Financial Services Compensation Scheme (the **FSCS**) which gives customers protection where an authorised firm is unable or is likely to be unable to meet claims against it because of its financial circumstances. Most deposits made by Borrowers with the Seller will be covered by the FSCS – however, in the event the Seller is unable to meet a claim from a Borrower, it should be noted that the FSCS only gives the Borrower protection up to the FSCS limit (as at the date of this Prospectus being £85,000) and as such, set-off rights of such Borrower, despite the giving of notice to the Borrowers of the assignment of the Loans and their Related Security to the Issuer, may apply. In order to mitigate this risk, the Seller will be required pursuant to the terms of the Mortgage Sale Agreement to report any loan that is a High Deposit Loan, (being a Loan in respect of which the relevant Borrower has a deposit account with the Seller for an amount in excess of £85,000 (or such other amount as set by the Financial Services Compensation Scheme from time to time) before notice of the transfer of legal ownership of that Borrower's Loan to the Issuer is given) and will be required to repurchase any such High Deposit Loans on or prior to the following Monthly Pool Date.

Certain Regulatory Considerations

Consumer Credit Act 1974

Certain lending in the United Kingdom is regulated by the Consumer Credit Act 1974 (the **CCA**). The regulator for credit agreements regulated by the CCA was the Office of Fair Trading (the **OFT**) before 1 April 2014, which issued licences and guidance on conduct of business under the CCA, and is the Financial Conduct Authority (the **FCA**) from 1 April 2014, which will issue authorisation and permission and rules and guidance on conduct of business under the FSMA. The FCA is also the regulator for regulated mortgage contracts under the FSMA (please see "*Mortgage regulation under the FSMA*" below).

A credit agreement is regulated by the CCA where: (a) the Borrower is or includes an "individual" as defined in the CCA; (b) the credit agreement was made before the financial limit was removed (as described below),

the amount of "credit" as defined in the CCA did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998 or lower amounts for credit agreements made before that date; and (c) the credit agreement is not an exempt agreement under the CCA.

Any credit agreement intended to be a regulated mortgage contract under the FSMA, or unregulated, might instead be wholly or partly regulated by the CCA or treated as such, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a regulated mortgage contract under the FSMA because of technical rules on:

- (a) determining whether any credit under the CCA arises, or whether any applicable financial limit of the CCA is exceeded;
- (b) determining whether the credit agreement is an exempt agreement under the CCA (for example, certain types of credit agreement to finance the purchase of, or alteration to, homes or business premises, or regulated mortgage contracts under the FSMA); or
- (c) changes to credit agreements.

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with the requirements as to licensing or authorisation of lenders and brokers, documentation and procedures of credit agreements, and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements then, to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower: (a) without an order of the FCA or the court, if the lender or broker did not hold the required licence or authorisation at the relevant time; (b) totally, for agreements entered into before 6 April 2007, if the form to be signed by the borrower was not signed by the borrower personally or omits or misstates a "prescribed term"; or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender.

A court order under section 126 of the CCA is necessary to enforce a land mortgage securing a loan or further advance to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such an application, the court has the power, if it appears just to do so, to amend the credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under section 75 of the CCA, in certain circumstances the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by a credit agreement that is wholly or partly regulated by the CCA or treated as such. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of a rule under the FSMA. From 1 April 2014, such rules will include rules in the Consumer Credit sourcebook (**CONC**). The borrower may set off the amount of the claim against the lender under section 75 of the CCA, or for contravention of CONC, against the amount owing by the borrower under the loan or under any other loan that the borrower has taken with the lender. Any such set-off in relation to a Loan in the Portfolio may adversely affect the Issuer's ability to make payments on the Notes.

Consumer Credit Act 2006

The Consumer Credit Act 2006 (the **CCA 2006**) was enacted on 30 March 2006 and was fully implemented by 31 October 2008. The CCA 2006 updates and amends the CCA as follows.

The "extortionate credit" regime is replaced by an "unfair relationship" test. The unfair relationship test applies to all existing and new credit agreements, except regulated mortgage contracts under the FSMA. If the court makes a determination that the relationship between the lender and the borrower is unfair, then it

may make an order, among other things, requiring the originator, or any assignee such as the Issuer, to repay to the borrower any sum paid by him. In applying the unfair relationship test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair", as the intention is for the test to be flexible and subject to judicial discretion. However, the word "unfair" is not an unfamiliar term in United Kingdom legislation, due to the Unfair Terms in Consumer Contracts Regulations 1999. The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. Once the borrower alleges that an unfair relationship exists, then the burden of proof is on the creditor to prove the contrary.

The financial limit of £25,000 for CCA regulation has been removed for credit agreements made on or after 6 April 2008, except for (a) certain changes to credit agreements, and (b) certain buy-to-let loans made before 31 October 2008.

To the extent that a credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period in which the lender fails to comply with requirements as to default notices. From 1 October 2008: (a) the credit agreement is also unenforceable for any period in which the lender fails to comply with further requirements as to periodic statements and arrears notices; (b) the borrower is not liable to pay interest or, in certain cases, default fees for any period in which the lender fails to comply with further requirements as to post-contract disclosure; and (c) interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest (i.e. interest may only be calculated on the principal amount of the default sum).

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

These changes to the CCA may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

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

The Seller has given or, as applicable, will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be or is not cured within 30 days, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one **Mortgage Account**) and their Related Security from the Issuer.

Mortgage regulation under the FSMA

Residential mortgage lending in the United Kingdom became a regulated activity under the FSMA on 31 October 2004. Residential mortgage lending under the FSMA is regulated by the FCA (known before 1 April 2013 as the FSA).

Certain provisions of the FSMA apply to a **regulated mortgage contract**. A mortgage loan contract is a regulated mortgage contract under the FSMA if it is entered into on or after 31 October 2004 or originated prior to 31 October 2004 but varied on or after 31 October 2004 such that a new contract is entered into and if, at the time it is entered into: (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom; and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person (broadly, the person's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse).

On and from 31 October 2004, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a regulated mortgage contract as lender; (b) administering a regulated mortgage contract (**administering** in this context broadly means notifying borrowers of changes in mortgage payments and/or collecting payments due under the mortgage loan); (c) advising in respect of regulated mortgage contracts; and (d) arranging in respect of regulated mortgage contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to authorisation of lenders and brokers are not complied with, a regulated mortgage contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a regulated mortgage contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of regulated mortgage contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as the Seller) who carries on the regulated activity of entering into a regulated mortgage contract. Failure to comply with the financial promotions regime (as regards by whom promotions can be issued or approved) is a criminal offence and will render the regulated mortgage contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

Any credit agreement intended to be a regulated mortgage contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a regulated mortgage contract under the FSMA, because of technical rules on: (a) determining whether the credit agreement or any part of it falls within the definition of a regulated mortgage contract; and (b) changes to credit agreements.

The Seller is required to hold, and holds, authorisation and permission to enter into and to administer and, where applicable, to advise on regulated mortgage contracts. Subject to any exemption, brokers are required to hold authorisation and permission to arrange and, where applicable, to advise on regulated mortgage contracts.

The Issuer is not, nor proposes to become, an authorised person under the FSMA. The Issuer does not carry on the regulated activity of administering (servicing) regulated mortgage contracts, because the Loans are serviced pursuant to the Servicing Agreement by the Servicer, which has the required authorisation and permission under the FSMA. If the Servicing Agreement terminates, either the Back-Up Servicer (which has the required authorisation and permission under the FSMA) will assume the role of Servicer or the Issuer together with the Back-Up Servicer Facilitator will be required to arrange for mortgage servicing to be carried out by a replacement servicer having the required FSMA authorisation and permission. In addition, no variation is permitted to be made to the Loans and no Additional Borrowing or Product Transfer is permitted to be made in relation to a Loan where it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

The Mortgages and Home Finance: Conduct of Business sourcebook (**MCOB**), which sets out rules under the FSMA for regulated mortgage activities, was published on 31 October 2004. These rules cover certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract with a start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. Further rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages also came into force on 31 October 2004.

A borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of a rule under the FSMA and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken with the lender. Any such set-off in relation to a loan in the mortgage portfolio may adversely affect the Issuer's ability to make payments on the Notes.

So as to avoid dual regulation, it is intended that regulated mortgage contracts under the FSMA are not regulated by the CCA, and relevant regulations made in 2005 and 2008 under the FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after 31 October 2004 and credit agreements made before 31 October 2004 but subsequently varied such that a new contract is entered into on or after 31 October 2004 and constitutes a separate regulated mortgage contract. A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage securing a regulated mortgage contract to the extent that the credit agreement would, apart from the exemption referred to above, be regulated by the CCA or treated as such.

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

Distance Marketing

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

If the borrower cancels the credit agreement under these regulations, then: (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement within 30 days beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation; (b) the borrower is liable to pay interest or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and (c) any security is to be treated as never having had effect for the cancelled agreement. If a significant portion of the Loans are characterised as being cancellable under these regulations, then there could be an adverse effect on the Issuer's receipts in respect of the Loans, affecting the Issuer's ability to make payments in full on the Notes when due.

Mortgage Directive

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers (the **Mortgage Directive**). The Council of the European Union adopted the Mortgage Directive on 28 January 2014. Member States will be required to implement the Mortgage Directive into national law within two years after it enters into force.

The Mortgage Directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a member state of the European Union (a **Member State**) on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building; and extends the Consumer Credit Directive (2008/48/EC) to (c) unsecured credit agreements the purpose of which is to renovate residential immovable property involving a total amount of credit above €75,000 (or an amount in another currency, at the relevant amounts set out in the Mortgage Directive). The Mortgage Directive does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

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

Until the Mortgage Directive is implemented into UK law, it is too early to tell what effect the implementation of the Mortgage Directive into UK law would have on the Seller, the Issuer and/or the Servicer and their respective businesses and operations.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

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

- (a) a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the agreement itself continues to bind the parties if it is capable of continuing in existence without the unfair term); and
- (b) the lead enforcement body and any qualifying body for the UTCCR may seek to enjoin a business from relying on unfair terms.

The UTCCR will not affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, or price terms, (provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention). The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract or price terms, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees.

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

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

In February 2000, the OFT issued a guidance note on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded by the OFT as unfair under the UTCCR unless the lender: (a) notifies the affected borrower in writing at least 30 days before the rate change; and (b) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The guidance note has been withdrawn from the OFT website, but may remain in effect as the OFT's view and a factor that the FCA and CMA may take into account.

In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts. This statement provides that, for locked-in borrowers, (i.e. where the borrower is required to give advance notice or to pay a cost or to give up a benefit in order to withdraw from the contract) a firm may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In the context of the OFT's investigation into credit card default fees, the OFT on 5 April 2006 issued a statement of its view of the principles that credit card issuers should follow in setting default fees, and that the principles are likely to apply to analogous default fees in other contracts such as mortgages. The OFT withdrew the guidance note from its website, but the guidance note may remain as a factor that the FCA and CMA may take into account.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges.

MCOB rules for regulated mortgage contracts require that: (a) arrears charges represent a reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears; and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the balance of any payment shortfall, excluding any interest or charges on that balance. In October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR, provided that they

are written in plain and intelligible language and are adequately drawn to the borrower's attention. In January 2012, the FSA issued a further statement intended to raise awareness of issues that it commonly identifies under the UTCCR.

In March 2013, the Law Commission published advice to the UK Government on reforming the UTCCR. The Law Commission recommended, among other things, that no assessment of fairness shall be made of a term that specifies the main subject matter of the contract, or of a price term, provided that the term in question is transparent and prominent. The Law Commission also recommended that the UTCCR should expressly provide that, in proceedings by consumers, the court is required to consider the fairness of a term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the draft Consumer Rights Bill which was first presented to Parliament in January 2014.

Whilst the CMA and FCA have powers to enforce the UTCCR, it would be for a court to determine their proper interpretation. The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made or may be made to borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans.

The guidance issued by the FSA (and, as of 1 April 2013, the FCA) and the OFT has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the 1999 Regulations, or reform of the 1999 Regulations, will not have a material adverse effect on the Seller, the Servicer and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

Decisions of the Ombudsman could lead to some terms of the Loans being varied, which may adversely affect payments on the Notes

Under the FSMA, the Ombudsman (as defined above) is required to make decisions on certain complaints relating to the activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account law and guidance. Complaints properly brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to the borrower, it is not possible to predict how any future decision of the Financial Ombudsman Service would affect the ability of the Issuer to make payments to Noteholders.

Consumer Protection from Unfair Trading Regulations 2008

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

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within the Directive. The Unfair

Practices Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right of set-off to an individual consumer.

The Unfair Practices Directive is implemented in the UK by the Consumer Protection from Unfair Trading Regulations 2008 (the **CPUTR**), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in irrecoverable losses on amounts to which such agreements apply. Breach of certain CPUTR provisions is a criminal offence. Draft amendments to the CPUTR propose to give consumers a right to redress for prohibited practices, including a right to unwind agreements.

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

The Unfair Practices Directive provided for a transitional period until 12 June 2013 for the application of full harmonisation in the fields to which it applies. In March 2013, the European Commission published a report on the application of the Unfair Practices Directive, which indicated (among other things) that there is no case for further harmonisation in the fields of financial services and immovable property. No assurance can be given that the implementation of the Unfair Practices Directive into law in the UK and any further harmonisation will not have a material adverse effect on the Loans or the manner in which they are serviced and accordingly on the ability of the Issuer to make payments to Noteholders.

UK proposals for changes to mortgage regulation and to the regulatory framework

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

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, *inter alia*, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that generally come into force on 26 April 2014 with transitional arrangements where, among other things, the borrower does not take on additional borrowing.

In December 2012, the Financial Services Act 2012 received royal assent. This Act contains provisions which (among other things) on 1 April 2013 replaced the FSA with the Prudential Regulation Authority (the **Prudential Regulation Authority** or **PRA**), which is responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and the FCA, which is responsible for conduct of business. This Act also contains provisions enabling the transfer of regulation of credit agreements regulated by the CCA from the OFT to the FCA. The relevant secondary legislation was enacted in 2013 and 2014 and the transfer was effected on 1 April 2014.

Under the Financial Services Act 2012 and from dates to be specified: (a) carrying on servicing activities otherwise than in accordance with permission from the FCA will render the credit agreement unenforceable without FCA approval; and (b) the FCA will have power to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. This Act also provides for formalised cooperation to exist between the FCA and the Ombudsman, particularly where issues identified potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress schemes.

Any further changes to MCOB arising from the FCA's mortgage market review, or to MCOB or the FSMA arising from HM Treasury's proposals to change mortgage regulation or changes in the regulatory framework, may adversely affect the Loans, the Seller and/or the Servicer and their respective businesses and operations.

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.

U.S. Foreign Account Tax Compliance Act (FATCA) withholding may affect payments on the Notes

Sections 1471 through 1474 of the US Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

While the Class A Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. 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 Class A Notes are discharged once it has paid the common safekeeper for the clearing systems (as registered holder of the Class A Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

EU financial transaction tax

The European Commission has published a proposal for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

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

At this stage, it is too early to say whether the FTT proposals will be adopted and in what form. However, if the FTT is adopted based on the current proposals, then it may operate in a manner giving 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)). Any such 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.

The FTT proposal remains subject to negotiation between the participating member states described above and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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 certain circumstances, the Issuer will, in accordance with Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*) of the Notes, use reasonable endeavours to prevent such an imposition in relation to the Class A Notes.

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

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) made by a person within its jurisdiction to, or collected by such a person for, an individual resident in, or certain limited types of entities established in, that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being 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 an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the 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 (if there is any such Member State).

Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity of the Notes

The Basel III reform package (a regulatory capital and liquidity framework approved by the Basel Committee on Banking Supervision (the **Basel Committee**) in 2011) has been implemented in the European Economic Area (the **EEA**) through a regulation (the Capital Requirements Regulation (the **CRR**)) and an associated directive (the recast Capital Requirements Directive (the **CRD**) (and together with the CRR, **CRD IV**), which was published in the Official Journal of the European Union on 27 June 2013. The CRR establishes a single set of harmonised prudential rules for financial institutions and certain minimum liquidity standards which apply directly to all credit institutions in the EEA, with the CRD containing less prescriptive provisions which are required to be transposed into national law. Together the CRR and CRD reinforce capital standards and establish a leverage ratio “backstop”. Full implementation began from 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely effective by 2019 and some minor transitional provisions provide for phase-in until 2024). As CRD IV allows certain national discretions, the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published certain proposed revisions to the securitisation framework, including changes to the approaches to calculating risk weights and a new risk weight floor of 15 per cent.

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

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

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

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

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

Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear. In particular, in the context of the requirements which apply in respect of EU regulated credit institution investors, investment firms and authorised alternative investment fund managers, coming legislative developments may result in changes to the corresponding interpretation materials which apply in respect of such requirements. No assurance can be provided that any such changes will not affect the compliance position of previously issued transactions and/or the requirements applying to relevant investors in general.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. With respect to the commitment of the Seller to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by the Seller in its capacity as the 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 Seller (in its capacity as the Seller, the Servicer or the Cash Manager), 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.

The EU risk retention and due diligence requirements described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

European Monetary Union and risks relating to change of currency

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes.

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the European Economic and Monetary Union and that the Euro may become the lawful currency of the United Kingdom (although the UK coalition government has ruled out preparing for or joining the Euro for the duration of the coalition agreement as published in full on 20 May 2010). In the event that the Euro were to become the lawful currency of the United Kingdom, (a) all amounts payable in respect of the Notes may become payable in Euro; (b) applicable provisions of law may allow or require the Notes to be redenominated into Euro and additional measures to be taken in respect of such Notes; and (c) the introduction of the Euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors in the Notes. It cannot be said with certainty what effect, if any, adoption of the Euro by the United Kingdom will have on investors in the Notes.

English law security and insolvency considerations

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

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

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

the current exceptions, it should be noted that the Secretary of State for Business, Innovation & Skills may by regulation modify these exceptions.

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

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

Fixed charges may take effect under English law as floating charges

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

The law in England and Wales relating to the characterisation of fixed charges is unsettled. There is a risk that a court could determine that the fixed charges purported to be granted by the Issuer take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the charged property for the security to be said to constitute fixed charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. Monies paid into accounts or derived from those assets could be diverted to pay preferential creditors and certain other liabilities were a receiver, liquidator or administrator to be appointed in respect of the relevant company in whose name the account is held.

Liquidation expenses

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in rules 4.218A to 4.218E of the Insolvency Rules 1986 and rules 4.228A to 4.228E of the Insolvency Rules (Northern Ireland) 1991. In general, the reversal of the *Leyland Daf* case applies in respect of all liquidations commenced on or after 6 April 2008.

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

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which, based on contractual (such as the contractual Priority of Payments as contemplated in this transaction) and/or trust principles, subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such provisions are similar in effect to the terms included in the Transaction Documents relating to the subordination of Interest Rate Swap Excluded Termination Amounts payable in respect of the Interest Rate Swap Agreements (or any replacement interest rate swap agreement).

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the US Bankruptcy Court has held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the US Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed. However, there remains a stayed action in the U.S. commenced by the Lehman Brothers Chapter 11 debtors concerning the enforceability of flip clauses and, in addition, in February 2012, a complaint was filed by certain parties seeking recognition and enforcement of the Belmont decision (and corresponding lower court decisions) and other declaratory relief with respect to the flip clause in question in the case described above. At the same time as filing the complaint, the relevant parties also filed a motion seeking the withdrawal of the reference from the U.S. Bankruptcy Court, requesting that the complaint be heard instead by the U.S. District Court. It has not yet been determined whether the complaint will be addressed by the U.S. Bankruptcy Court or the U.S. District Court, nor is it known when the complaint will be addressed.

If a creditor of the Issuer (such as an Interest Rate Swap Provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US), and it is owed a payment by the Issuer (such as a termination payment due under a swap agreement which has been subordinated as it is being made as a result of that swap provider's insolvency), a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priority of Payments which refers to the ranking of a swap provider's payment rights in respect of Interest Rate Swap Excluded Termination Amounts). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as swap counterparty, including US established entities and certain non-US established entities with assets or operations in the US (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed branch in a US state). In general, if a subordination provision included in the Transaction Documents 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 Class A Noteholders, the market value of the Class A Notes and/or the ability of the Issuer to satisfy its obligations under the Class A Notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents include terms providing for the subordination of the Interest Rate Swap Excluded Termination Amounts, 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 Class A Notes. If any rating assigned to the Class A Notes is lowered, the market value of the Class A Notes may reduce.

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 a UK bank or building society. The relevant transaction entities for these purposes include the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank, the Cash Manager, the Servicer and the Seller (each a **relevant entity**). In addition, pursuant to recent amendments made to the Banking Act (which have not yet taken effect and key aspects of which remain unclear), provision has been made for certain tools to be used in respect of a wider range of UK entities, including investment firms and certain banking group companies provided that certain conditions are met. The tools available under the Banking Act include share and property transfer powers (including powers for partial property transfers), certain ancillary powers (including powers to modify certain contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. It is possible that the 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.

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

If an instrument or order were to be made under the Banking Act in respect of a relevant entity (as described above), such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events and (in the case of the Seller) trigger events in respect of perfection of legal title to the Mortgage Loans). As a result, the making of an instrument or order in respect of a relevant entity as described above may affect the ability of the Issuer to meet its obligations in respect of the Notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

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.

As noted above, amendments have been made to the Banking Act (but not yet taken effect) such that specified stabilisation tools (including the property transfer powers) may be used in respect of certain banking group companies provided certain conditions are met. The UK authorities have indicated that a portion of the definition of such companies will be specified in corresponding secondary legislation (which has not yet been published or made). In the absence of such secondary legislation, it is not possible to determine whether the Issuer would be regarded as a banking group company for these purposes. As such, it is too early to anticipate the full impact of the amendments made to the Banking Act and there can be no

assurance that the Noteholders will not be adversely affected by an action taken under the relevant amended provisions, once such provisions have taken effect. That said, it should be noted that the Government is currently consulting on the conditions to be specified in respect of banking group companies and the relevant consultation paper refers to the intention to exclude entities that facilitate capital market arrangements.

Further amendments have been made to the Banking Act (but again have not yet taken effect) to introduce a new bail-in tool, which tool would permit the Bank of England in certain circumstances to cancel or modify contracts for the purposes of reducing or deferring liabilities of relevant entities (including UK banks, banking group companies and building societies) and/or to convert liabilities of such entities into different forms. When in force, there can be no assurance that the Noteholders will not be adversely affected by the amendments and/or any action taken under the new bail-in tool. The new bail-in tool may come into force in advance of the implementation of the bank recovery and resolution directive discussed in the paragraph below. Accordingly, it is not yet possible to assess the full impact of the UK bail-in tool on a relevant entity and there can be no assurance that, once it is implemented, the fact of its implementation or the taking of any actions currently contemplated in it would not materially and adversely affect the relevant entity's operating results, financial position and prospects.

Lastly, on 12 December 2013 the European Commission, Council and Parliament reached agreement on the text of a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, although the final approval of the European Parliament and Council is awaited. It is currently contemplated that the provisions of the directive must be applied by Member States from 1 January 2015 except for the bail-in tool (in relation to certain instruments) which is to be applied from 1 January 2016. Amongst other things, the proposed directive contemplates the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities and provides for special rules for cross-border groups. The resolution tools and powers referred to in the directive include certain tools and powers which overlap in part with those available under the Banking Act and also certain further tools, such as provision for authorities to bail-in eligible liabilities of relevant institutions. As the final version of the proposed directive has not yet been published, it is too early to anticipate the full impact of the directive and there can be no assurance that Noteholder will not be adversely affected by an action taken under it, once it is agreed upon and implemented.

CRA Regulations

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

General

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

TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

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

Sale of Portfolio:

The primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Revenue Receipts and Principal Receipts generated by the Loans in the Portfolio. Pursuant to the Mortgage Sale Agreement, the Seller will sell its interest in the Portfolio to the Issuer on the Closing Date. The sale by the Seller to the Issuer of each Loan in the Portfolio which is secured by a Mortgage over a Property located in England or Wales will be given effect by an equitable assignment.

The terms **sale**, **sell** and **sold** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest. The terms **repurchase** and **repurchased** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to include the repurchase of the equitable interest of the Issuer in respect of such Loans and their Related Security from the Issuer. Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Portfolio will not be given to the relevant individual or individuals specified as borrowers in the relevant mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay a relevant Loan or any part of it (the **Borrowers**) under those Loans transferred and the Issuer will not apply to the Land Registry to register or record its equitable interest in the Mortgages.

The **Portfolio** will consist of the Loans, the Related Security and all monies derived therefrom from time to time.

The Loans

The term **Loans** when used in this Prospectus means the residential mortgage loans, secured by Mortgages and Related Security, in the Portfolio to be sold to the Issuer by the Seller on the Closing Date together with, where the context so requires, each Additional Borrowing (as defined in "**Summary of the Key Transaction Documents – Mortgage Sale Agreement**") sold to the Issuer by the Seller after the Closing Date and any alteration to a Loan by the Seller pursuant to a Product Transfer but excluding (for the avoidance of doubt) each Loan and its Related Security which is repurchased by the Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and no longer beneficially owned by the Issuer.

When used in this Prospectus:

Business Day means a day other than a Saturday or Sunday on which banks are open for business in London.

Calculation Date means the 12th Business Day of February, May, August

and November of each year or if such day is not a Business Day, the next following Business Day unless such day falls in the next month, in which case the preceding Business Day.

Collection Period means the quarterly period commencing on and including the Collection Period Start Date and ending on but excluding the immediately following Collection Period Start Date except that the first Collection Period will commence on the Cut-Off Date and end on but exclude the Collection Period Start Date falling in August 2014.

Collection Period Start Date means the 1st of February, May, August and November of each year.

Monthly Period means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month except that the first Monthly Period will commence on the Cut-Off Date and end on the last calendar day of April 2014.

Monthly Period End Date means the last day of the calendar month.

Monthly Pool Date means the 10th Business Day of each month, provided that the first Monthly Pool Date will fall in May 2014.

Monthly Test Date means the 8th Business Day of each month, provided that the first Monthly Test Date will fall in May 2014.

Mortgage means in respect of any Loan each first fixed charge by way of legal mortgage, which is, or is to be, sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it.

Property means a freehold or leasehold property located in England or Wales which is subject to a Mortgage.

Related Security means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of any Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement (as described more fully in the section entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*").

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

- (a) the original amount advanced to the relevant Borrower and any Additional Borrowing advanced on or before such date to the relevant Borrower secured or intended to be secured by the related Mortgage;
- (b) any disbursement, legal expense, fee, charge, rent, service charge, premium or payment which bears interest or which has been properly capitalised (including any related interest amounts) 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,

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

As at the Closing Date, the Loans in the Portfolio will comprise Loans which pay interest based on:

- (a) discretionary rates of interest set by the Seller based on general interest rates and competitive forces in the UK mortgage market from time to time (which may include discounted rate loans);
- (b) fixed rates of interest or series of rates of interest set for a fixed period or periods.

In addition, the Loans will comprise repayment Loans and/or Interest-only Loans. See "*The Loans*" for a full description of the Loans.

Features of the Loans

The following is a summary of certain features of the Loans as at 28 February 2014 (the **Provisional Pool Date**) and the **Cut-Off Date**). Noteholders should refer to, and carefully consider, further details in respect of the Loans set out in "*Characteristics of The Portfolio*".

Type of Borrower	Prime
Type of mortgage	Repayment, Interest-only
Self-certified Loans	No
Buy to Let Loan	No
Offset Loan	No
Right to Buy Loan	No
Shared Ownership Loan	No
Shared Equity Loan	No
Fast-Track Mortgage Loan	No

Help to Buy Loans		No		
Number of Loans		2,686		
Aggregate Balance	Current	£362,282,683.40		
		Average	Minimum	Maximum
Current Balance (£)		134,878.14	5,894.92	949,864.60
		Weighted average	Minimum	Maximum
Indexed LTV (per cent.)		63.37	4.51	85.42
Original LTV (per cent.)		67.74	6.01	81.37
Seasoning (months)		17.43	0.92	44.75
Remaining Term (years)		20.86	6.34	34.94

Consideration

The Issuer will use the proceeds of the issue of the Class A Notes to pay the Initial Consideration (or a portion thereof). If the proceeds of the Class A Notes are insufficient to pay the Initial Consideration in respect of the Portfolio, the remaining portion of the Initial Consideration will be funded using the proceeds of the Class Z VFN. The Loans will be sold to the Issuer at a price equal to their Current Balance as at the Cut Off Date. The Issuer will pay Deferred Consideration to the Seller from excess Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments or excess proceeds from the Post-Acceleration Priority of Payments.

Representations and Warranties

The Seller will make the Loan Warranties regarding the Loans and Related Security to the Issuer on the Closing Date and on the last day of the Monthly Period in which each Additional Borrowing and/or Product Transfer takes place.

The Loan Warranties are comprised of representations and warranties in respect of the legal nature of the Loans and their Related Security, as well as asset representations and warranties which include the following:

- First ranking security in respect of properties located in England and Wales;
- No Loan has a Current Balance of more than £1,000,000;
- No Loan is in arrears and at least one monthly payment has been made in respect of each Loan as at the Cut-Off Date;
- No Loan is a Self-certified Loan, a Buy to Let Loan, an Offset Loan, a Right to Buy Loan, a Shared Ownership Loan, a Fast-Track Mortgage Loan or a Shared Equity Loan;

- No Loan has a maturity date falling later than three years earlier than the Final Maturity Date;
- To the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or been sequestered or had a county court judgment or court decree entered or awarded against him on or in the six years prior to the date they executed the relevant Mortgage; and
- To the best of the Seller's knowledge, no Borrower had been in arrears with another mortgage lender at any point during the 12 months prior to the date of such Borrower's Initial Advance under its Loan.

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

Repurchase of the Loans and Related Security

The Issuer shall sell and the Seller shall repurchase any Loan and its Related Security in the following circumstances:

- Upon a breach of any of the Loan Warranties (which is either not capable of remedy or which has not been remedied by the Seller within a 30 day grace period) in respect of that Loan sold into the Portfolio on the Closing Date;
- If the Issuer is unable to fund the purchase of any Additional Borrowing in relation to that Loan from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall;
- Upon a breach of any of the Asset Conditions in respect of such Loan subject to an Additional Borrowing or Product Transfer (which is either not capable of remedy or if the Seller failed to remedy it within the agreed 30 day grace period);
- If any Back-to-Back Swap relating to the Fixed Interest Rate Swap Agreement (or to any replacement fixed interest rate swap entered into on terms similar to those set out in the Fixed Interest Rate Swap Agreement) is terminated, the Seller will be required to repurchase any Fixed Rate Loan subject to an Additional Borrowing or a Product Transfer or any AMR Loan subject to a Product Transfer which results in such AMR Loan becoming a Fixed Rate Loan, in each case on the Monthly Pool Date immediately following the receipt by the Seller of a Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at such Monthly Pool Date (excluding, if applicable, the amount of any Additional Borrowing which has not yet been paid for by the Issuer).
- In the event that the Seller determines that the relevant Loan is a High Deposit Loan on any Monthly Test Date.

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

Perfection Events Completion of transfer of the legal title of the Loans by the Seller to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:

- (a) the Seller being required to perfect transfer of legal title to the Loans and their Related Security: (i) by an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply;
- (b) it becoming necessary by law to perfect the transfer of legal title to the Loans and their Related Security;
- (c) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Note Trustee (on behalf of the Noteholders so long as any Notes are outstanding or the other Secured Creditors if no Notes are then outstanding) to take action to reduce that jeopardy;
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Seller Insolvency Event.

Prior to the completion of the transfer of legal title to the relevant Loans and Related Security, the Issuer will hold only the equitable title and will therefore be subject to certain risks as set out in the risk factor entitled "*Seller to Initially Retain Legal Title to the Loans and risks relating to set-off*" in the Risk Factors section.

Servicing of the Portfolio The parties to the Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Security Trustee, the Servicer, the Seller, the Cash Manager, and the Back-Up Servicer Facilitator (the **Servicing Agreement**).

The Servicer will be appointed by the Issuer (and, upon the earlier to occur of (i) service of a Note Acceleration Notice and (ii) enforcement or realisation of the Security, shall act pursuant to the direction of the Security Trustee) to service, on a day-to-day basis, the Loans sold to the Issuer and their Related Security on behalf of the Issuer (such services, *inter alia*, the Services).

So long as Aldermore acts as the Servicer, the Issuer will, on each

Interest Payment Date, pay to the Servicer a servicing fee (inclusive of VAT) (the **Servicing Fee**) totalling 0.08 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date. If a replacement servicer which is not the Back-Up Servicer is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall pay the replacement servicer for its services a fee to be determined at the time of such appointment. The Servicing Fee will rank ahead of all payments on the Notes.

The appointment of the Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee acting on the instructions of the Note Trustee) upon the occurrence of the following events (the **Servicer Termination Events** and each a **Servicer Termination Event**):

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;
- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default in the opinion of the Security Trustee acting on the instructions of the Note Trustee is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee as the case may be requiring the Servicer's non-compliance to be remedied (subject to certain provisos in relation to the situation where the default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations);
- an Insolvency Event occurs in relation to the Servicer; or
- the Issuer resolves, after due consideration and acting reasonably (with the consent of the Note Trustee), that the appointment of the Servicer should be terminated.

If a Servicer Termination Event occurs then the Back-Up Servicer may assume the provision of the Services to the Issuer, subject to the terms of the Back-Up Servicing Agreement. If at the time the Servicer Termination Event occurs the appointment of the Back-Up Servicer has been terminated under the Back-Up Servicing Agreement, the Back-Up Servicer has resigned or the Back-Up Servicer is unable to assume the role of Servicer under the Back-Up Servicing Agreement, the Back-Up Servicer Facilitator will (pursuant to the Servicing Agreement) use its reasonable endeavours to identify, on behalf of the Issuer, a suitable replacement servicer and a replacement back-up servicer to replace the Servicer and

the Back-Up Servicer respectively (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a replacement servicer or replacement back-up servicer).

Subject to the fulfilment of certain conditions, the Servicer may also resign upon giving 12 months' written notice provided either (i) the Back-Up Servicer assumes the role of Servicer under the Servicing Agreement or (ii) if there is no Back-Up Servicer in place at such time or the Back-Up Servicer is unable to assume the role of Servicer under the Back-Up Servicing Agreement, when a replacement servicer has been appointed by the Issuer (with the assistance of the Back-Up Servicer Facilitator) (with the prior written consent of the Security Trustee).

In the absence of a Servicer Termination Event, Noteholders have no right to instruct the Issuer to terminate the appointment of the Servicer.

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

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

with a view to obtaining a moratorium in respect of any indebtedness.

See "*Summary of Key Transaction Documents — Servicing Agreement*" below.

Delegation

The Servicer may delegate some of its servicing functions to a third party provided that the Servicer remains liable for the failure of and for the performance of any functions so delegated.

See "*Summary of Key Transaction Documents — Servicing Agreement*" below.

Back-Up Servicing

The parties to the Back-Up Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Back-Up Servicer, the Security Trustee, the Seller and the Servicer (the **Back-Up Servicing Agreement**).

The Back-Up Servicer will be appointed by the Issuer (and, upon the earlier to occur of (i) service of a Note Acceleration Notice and (ii) enforcement or realisation of the Security, shall act pursuant to the direction of the Security Trustee) to service, on a day-to-day basis, the Loans sold to the Issuer and their Related Security on behalf of the Issuer (such services, *inter alia*, the **Back-Up Services**), after a Servicer Termination Notice has been served on the Servicer. Prior to the occurrence of a Servicer Termination Event, the Back-Up Servicer will carry out certain monitoring functions to enable it to assume the role of servicer within 60 days of a Servicer Termination Notice being served on the Servicer, provided that the Back-Up Servicer shall not be obliged to act as servicer before the date falling 90 days after the Closing Date.

If the Back-Up Servicer assumes the role of servicer (replacing Aldermore in its capacity as Servicer in the first instance) or if the appointment of the Back-Up Servicer is terminated for any reason or if it gives notice of its intention to resign, then (pursuant to the Servicing Agreement) the Back-Up Servicer Facilitator shall promptly, following the assumption of the role of Servicer by the Back-Up Servicer, use its reasonable endeavours to identify, on behalf of the Issuer, a suitable replacement back-up servicer to act as back-up servicer (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a replacement servicer). The terms of any replacement back-up servicing agreement must be substantially similar to the terms of the Back-Up Servicing Agreement (subject to the market availability of those terms at that time) and acceptable to the Security Trustee.

So long as Crown Mortgage Management Limited acts as the Back-Up Servicer, the Issuer will pay to the Back-Up Servicer a servicing fee (exclusive of VAT) (the **Back-Up Servicing Fee**) of £30,000 per annum (subject to adjustment from the second anniversary of the date of the Back-Up Servicing Agreement in accordance with the retail prices index).

The appointment of the Back-Up Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee acting on the

instructions of the Note Trustee) upon the occurrence of the following events (the **Back-Up Servicer Termination Events**):

- the Back-Up Servicer defaults in the performance or observance of any of its covenants and obligations under the Back-Up Servicing Agreement, which default in the opinion of the Security Trustee acting on the instructions of the Note Trustee is materially prejudicial to the interests of the Noteholders, and the Back-Up Servicer does not remedy that failure within 30 Business Days after the earlier of (i) the Back-Up Servicer becoming aware of the failure or (ii) receipt by the Back-Up Servicer of written notice from the Issuer, the Seller or the Security Trustee as the case may be requiring the Back-Up Servicer's non-compliance to be remedied (subject to certain provisos in relation to the situation where the default occurs as a result of a default by any person to whom the Back-Up Servicer has sub-contracted or delegated part of its obligations); or
- an Insolvency Event occurs in relation to the Back-Up Servicer; or
- the Issuer resolves, after due consideration and acting reasonably (with the consent of the Note Trustee), that the appointment of the Back-Up Servicer should be terminated.

Subject to the fulfilment of certain conditions, the Back-Up Servicer may also resign upon giving 3 months' written notice provided a replacement back-up servicer has been appointed by the Issuer.

If the Back-Up Servicer resigns, if its appointment is terminated or if the Back-Up Servicer is appointed as servicer (and therefore ceases to be Back-Up Servicer), the Issuer (with the assistance of the Back-Up Servicer Facilitator) will (pursuant to the Servicing Agreement) promptly use its reasonable endeavours to appoint a suitable replacement back-up servicer to replace the Back-Up Servicer (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a suitable replacement back-up servicer).

In the absence of a Back-Up Servicer Termination Event, Noteholders have no right to instruct the Issuer to terminate the appointment of the Back-Up Servicer.

See "*Summary of Key Transaction Documents — Back-Up Servicing Agreement*" below.

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

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

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class Z VFN
Currency	GBP	GBP
Principal Amount:	£333,300,000	£38,945,500 (being the initial Principal Amount subscribed for as at the Closing Date) up to a maximum of £500,000,000
Credit enhancement and liquidity support features:	<p>Subordination of the Class Z VFN.</p> <p>The availability of the General Reserve Fund, as funded by the proceeds of issue of the Class Z VFN on the Closing Date.</p> <p>Excess Available Revenue Receipts.</p> <p>The application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency (as defined herein) in the Available Revenue Receipts.</p>	Excess Available Revenue Receipts.
Issue Price:	100 per cent.	100 per cent.
Interest Rate:	In respect of the first Interest Period, the linear interpolation of GBP LIBOR for three and six month deposits plus the Relevant Margin, thereafter 3 month GBP LIBOR plus the Relevant Margin	In respect of the first Interest Period, the linear interpolation of GBP LIBOR for three and six month deposits plus the Relevant Margin, thereafter 3 month GBP LIBOR plus the Relevant Margin
Relevant Margin:	Prior to the Step-Up Date 0.67 per cent. per annum and on and after the Step-Up Date 1.34 per cent. per annum	0.00 per cent. per annum
Step-Up Date:	Interest Payment Date falling in May 2019	N/A
Interest Accrual Method:	Actual/365	Actual/365
Interest Payment Dates:	26th day of February, May, August and November, in each year	26th day of February, May, August and November, in each year

	Class A Notes	Class Z VFN
Business Day Convention:	Modified Following	Modified Following
First Interest Payment Date:	August 2014	August 2014
Final Maturity Date:	Interest Payment Date falling in February 2052	Interest Payment Date falling in February 2052
Form of the Notes:	Bearer	Registered
Application for Exchange Listing:	Irish Stock Exchange's Regulated Market	Not listed
Clearance/Settlement:	Euroclear / Clearstream, Luxembourg	N/A
ISIN:	XS1028959325	N/A
Common Code:	102895932	N/A
Ratings* (Moody's/S&P):	Aaa(sf)/AAA(sf)	Not rated
Minimum Denomination	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £100 in excess thereof

* As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (as amended) (the **CRA Regulation**). As such each of the Rating Agencies is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

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

- Class A Mortgage Backed Floating Rate Notes due 2052 (the **Class A Notes**); and
- Class Z Variable Funding Note due 2052 (the **Class Z VFN**),

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

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

The Class A Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of principal and interest. Pursuant to the Deed of Charge, the Notes will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. Amounts due in respect of the Class A Notes will rank in priority to amounts due in respect of the Class Z VFN. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to amounts due in respect of the Notes.

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

Variable Funding Note

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

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

On the Closing Date, the Class Z VFN will be subscribed for in the amount of £38,945,500. Prior to the Class Z VFN Commitment Termination Date, the Class Z VFN will have a maximum principal amount of £500,000,000 or such other amount as may be agreed from time to time by the Issuer and the holder of the Class Z VFN (the **Class Z VFN Holder**) (which on the Closing Date will be Aldermore) and notified to the Note Trustee (the **Maximum Class Z VFN Amount**), that can be funded by the Class Z VFN Holder at the request of the Issuer.

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

- (a) the Interest Payment Date falling in May 2019; and
- (b) an Event of Default,

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

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

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

Security

Pursuant to a deed of charge to be entered into between, *inter alios*, the Issuer and the Security Trustee (the **Deed of Charge**) on the Closing Date the Notes will be secured by, *inter alia*, the following security (the **Security**):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents, other than the Trust Deed, the Deed of Charge itself and the Subscription Agreement (subject to any rights of set-off or netting provided for therein);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans and the Mortgages and their other Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and any other bank account or securities account of the Issuer and any sums standing to the credit thereof;
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Cash Manager on behalf of the Issuer; and
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge.

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

Collateral

Mortgage loans that were originated by the Seller on the terms of the Standard Documentation of the Seller from time to time and comprised

in the Cut-Off Date Portfolio as at the Cut-Off Date.

Interest Provisions

Please refer to the "*Full Capital Structure of the Notes*" table above and as fully set out in Condition 5 (*Interest*).

Interest Deferral

Interest due and payable on the Class A Notes outstanding will not be deferred. Interest due and payable on the Class Z VFN may be deferred in accordance with Condition 16 (*Subordination by Deferral*).

Gross-up

None of the Issuer nor any Paying Agent or any other person will be obliged to gross-up if there is any withholding or deduction in respect of the Notes on account of taxes.

Redemption

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

- mandatory redemption in whole on the Interest Payment Date falling in February 2052 (the **Final Maturity Date**), as fully set out in Condition 7.1 (*Redemption at Maturity*);
- mandatory partial redemption (in part) on any Interest Payment Date following the first Interest Payment Date (but prior to the service of a Note Acceleration Notice) in an amount equal to the Available Principal Receipts which shall be applied (a) to repay the Class A Notes *pro rata* and *pari passu* until they are repaid in full and then (b) to repay the Class Z VFN until it is repaid in full, as fully set out in Condition 7.2 (*Mandatory Redemption*); and
- optional redemption of all (but not some only) of the Class A Notes, exercisable by the Issuer on the Optional Redemption Date, subject to certain provisions as fully set out in Condition 7.3 (*Optional Redemption of the Class A Notes in Full*); and
- optional redemption of the Class A Notes exercisable by the Issuer in whole for tax or other reasons on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*);

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

Expected Average Lives of the Class A Notes

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

Event of Default

As fully set out in Condition 10 (*Events of Default*), which broadly

includes (where relevant, subject to the applicable grace period):

- non-payment of interest and/or principal in respect of the Class A Notes;
- breach of contractual obligations by the Issuer under the Transaction Documents;
- certain insolvency events in respect of the Issuer; and
- the entry into the documents and/or the performance of the obligations thereunder by the Issuer becoming illegal under the laws of England and Wales.

Purchase of Class Z VFN

It is intended that Aldermore will subscribe for and retain the Class Z VFN on the Closing Date.

Limited Recourse

The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 11.4 (*Limited Recourse*).

Governing Law

The Trust Deed, the Deed of Charge, the Notes and the Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

Prior to an Event of Default

Prior to the occurrence of an Event of Default, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Class A Notes then outstanding (or, if no Class A Notes are then outstanding, not less than 10 per cent. of the Principal Amount Outstanding of the Class Z VFN) are entitled to direct the Note Trustee to convene a Noteholders' meeting. The Note Trustee shall have no obligation to convene a Noteholders' meeting unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction. Noteholders are also entitled to participate in a Noteholders' meeting convened by the Issuer or the Note Trustee to consider any matter affecting their interests.

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

So long as no Class A Notes remain outstanding, upon the occurrence of an Event of Default, the Note Trustee shall, if so directed in writing by the holder of the Class Z VFN (subject to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that the Class Z VFN is immediately due and repayable at its Principal Amount Outstanding, together with Accrued Interest as provided in the Trust Deed.

Noteholders Meeting provisions

Notice period:	21 clear days for an initial meeting.	10 clear days for an adjourned meeting.
Quorum:	For an initial meeting, one or more persons holding or representing not less than 25 per cent. of the Principal Amount Outstanding of	One or more persons holding or representing any percentage holding for an adjourned meeting (other than a

the relevant Class of Notes then outstanding for all Ordinary Resolutions; one or more persons holding or representing not less than 50 per cent. of the Principal Amount Outstanding of the relevant Class of Notes for an Extraordinary Resolution (other than a Basic Terms Modification, which requires one or more persons holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the relevant Class of Notes then outstanding).

Required majority: For initial meetings, not less than 50 per cent. of votes cast for matters requiring Ordinary Resolution and not less than 75 per cent. of votes cast for matters requiring Extraordinary Resolution (including a Basic Terms Modification).

Written Resolution: Not less than 50 per cent. of the Principal Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Ordinary Resolutions and not less than 75 per cent. of the Principal Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Extraordinary Resolutions. A written resolution has the same effect as an Ordinary Resolution or an Extraordinary Resolution, as appropriate.

Electronic Consents: Noteholders may also pass an Ordinary Resolution or Extraordinary Resolution by way of electronic consents communicated through the electronic communications systems of the Clearing System(s) to the Principal Paying Agent or another specified agent and/or the

Note Trustee in accordance with the operating rules and procedures of the relevant Clearing System(s) (**Electronic Consent**). Such consents are required from Noteholders of not less than 50 per cent. in aggregate Principal Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Ordinary Resolutions and Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Extraordinary Resolutions. A resolution passed by such means has the same effect as an Ordinary Resolution or an Extraordinary Resolution, as appropriate.

Extraordinary Resolution means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Conditions by a majority consisting of not less than 75 per cent. of the votes cast;
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of any Class of the Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class;
- (c) consent given by way of Electronic Consent by or on behalf of the Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of the Notes then outstanding; or
- (d) a resolution signed by the Class Z VFN Holder.

Ordinary Resolution means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Conditions by a clear majority;
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than 50 per cent. 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;
- (c) consent given by way of Electronic Consent by or on behalf of the holders of not less than 50 per cent. in aggregate Principal Amount Outstanding of the Notes then outstanding; or
- (d) a resolution signed by the Class Z VFN Holder.

**Matters requiring
Extraordinary Resolution**

Broadly speaking, the following matters require an Extraordinary Resolution:

- to approve any Basic Terms Modification;
- to approve the substitution of any person for the Issuer (or any previous substitute for the Issuer) as principal debtor under the Notes and the Trust Deed;
- to approve or assent to any modification of the provisions contained in the Notes, the Conditions or the Trust Deed or any other Transaction Document;
- to waive any breach or authorise any proposed breach by the Issuer of its obligations under the Notes or any Transaction Document or any act or omission which might otherwise constitute an Event of Default or Potential Event of Default under the Notes;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to authorise the Note Trustee, the Security Trustee 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, the 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 give any other authorisation or sanction which under the Trust Deed or the Notes or any other Transaction Document is required to be given by Extraordinary Resolution; and
- to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

See Condition 13 (*Indemnification and Exoneration of the Note Trustee and the Security Trustee*) in the section entitled "*Terms and Conditions of the Notes*" for more detail.

**Relationship between
Classes of Noteholders**

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

A Basic Terms Modification requires an Extraordinary Resolution of the Class A Noteholders.

Relationship between Noteholders and other Secured Creditors

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

Provision of Information to the Noteholders

The Cash Manager on behalf of the Issuer will publish the Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. The first Investor Report will be delivered by no later than the 16th Business Day of August 2014 and thereafter such Investor Reports shall be delivered monthly. Such Investor Reports will be published on the Aldermore website at www.aldermore.co.uk. The website and the contents thereof do not form part of this Prospectus. The Issuer will also comply with certain reporting obligations under each of Article 405 of the CRR and Article 51 of AIFMR. In respect of the undertakings of Aldermore with respect to each of Article 405 and Article 51, see further "*EU Risk Retention Requirements*" at page 104.

Communication with Noteholders

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

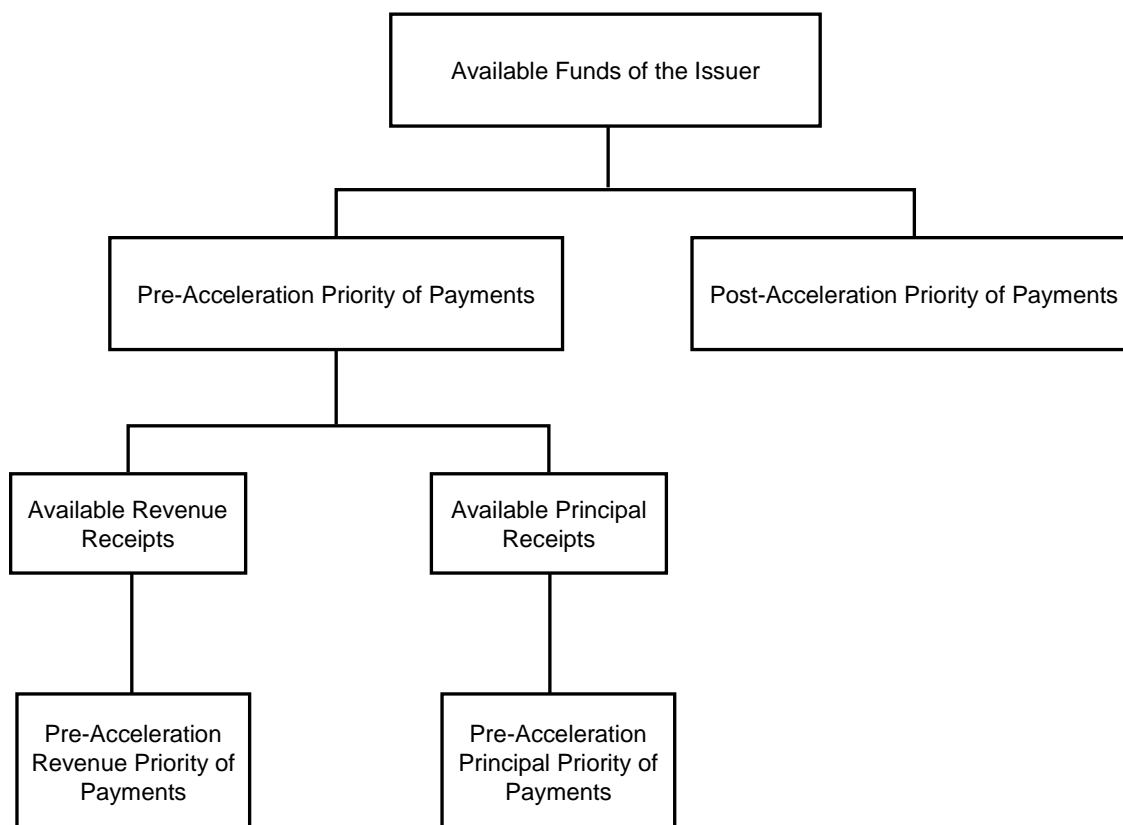
- (a) so long as the Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders; and/or
- (b) so long as the Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange.

The Note Trustee shall be at liberty to sanction another method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require. Notices to the Class Z VFN Holder will be sent to it by the Issuer to the fax number or email address notified to the Issuer from time to time in writing.

See Condition 15 (*Notice to Noteholders*) in the section entitled "*Terms and Conditions of the Notes*" for more detail.

TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

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



Available Funds of the Issuer

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

Available Revenue Receipts will, broadly speaking, include the following:

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Bank Accounts (other than the Swap Collateral Account) and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Interest Rate Swap Agreements (other than (i) any early termination amount received by the Issuer under an Interest Rate Swap Agreement which is to be applied in acquiring a replacement swap, (ii) in respect of the Fixed Interest Rate Swap Agreement, any Excess Swap Collateral or Swap

Collateral, except to the extent that the value of such Swap Collateral or part thereof has been applied, pursuant to the provisions of the Fixed Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Interest Rate Swap Provider to the Issuer on early termination of an Interest Rate Swap under the Fixed Interest Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Fixed Interest Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap in which case such amounts will be included in Available Revenue Receipts, (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the relevant Interest Rate Swap Provider and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date);

- (d) the amounts standing to the credit of the General Reserve Ledger as at the last day of the immediately preceding Collection Period;
- (e) other net income of the Issuer received during the immediately preceding Collection Period (excluding any Principal Receipts);
- (f) amounts applied as Available Revenue Receipts in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments);
- (g) amounts credited to the Transaction Account (including any interest thereon (if any)) on the immediately preceding Interest Payment Date in accordance with item (n) of the Pre-Acceleration Revenue Priority of Payments;
- (h) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);

less:

- (i) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - (i) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account, including any amounts required to satisfy any of the obligations and/or liabilities properly incurred by the Account Bank under the direct debit scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals), but in each case only to the extent that such amounts (i) cannot be recouped by the Account Bank from amounts standing to the credit of the Seller's Collection Accounts from time to time

and (ii) have been determined by the Cash Manager to be referable to a Loan in the Portfolio;

- (iii) payments by the Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; and
- (iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

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

plus

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

Available Principal Receipts will broadly speaking include the following:

- (a) all Principal Receipts or, in relation to 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 that are (i) received by the Issuer during the immediately preceding Collection Period (less an amount equal to the aggregate of all Additional Borrowing Purchase Prices paid by the Issuer in such Collection Period (including any Additional Borrowing Purchase Prices paid out on a Monthly Pool Date that is also an Interest Payment Date) but in aggregate not exceeding such Principal Receipts) and (ii) received by the Issuer from the Seller during the immediately preceding Collection Period in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;
- (b) (in respect of the first Interest Payment Date only) the amount paid into the Transaction Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Class Z VFN used to establish the General Reserve Fund and to pay the initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date) over the Initial Consideration;
- (c) the amounts (if any) credited on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments to the Class A Principal Deficiency Sub-Ledger and/or the Class Z VFN Principal Deficiency Sub-Ledger, by which the debit balance of each of the Class

A Principal Deficiency Sub-Ledger and/or the Class Z VFN Principal Deficiency Sub-Ledger is reduced;

- (d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);

less

- (e) any amounts utilised to pay a Revenue Deficiency pursuant to item (j) of the definition of Available Revenue Receipts;

plus

- (f) from and including the Step-Up Date, any Available Revenue Receipts applied as Available Principal Receipts in accordance with item (i) of the Pre-Acceleration Revenue 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*".

Pre-Acceleration Revenue Priority of Payments:	Pre-Acceleration Principal Priority of Payments:	Post-Acceleration Priority of Payments:
(a) Amounts due in respect of the Note Trustee and Security Trustee fees, costs and expenses	(a) To repay all Principal amounts due on the Class A Notes	(a) Amounts due in respect of, the Note Trustee and the Security Trustee and the Receiver fees, costs and expenses
(b) Amounts due in respect of the fees, costs and expenses of the Agent Bank, the Paying Agents, the Account Bank, the Swap Collateral Account Bank, the Class Z VFN Registrar and the Corporate Services Provider	(b) To repay all Principal amounts due on the Class Z VFN	(b) Amounts due in respect of the fees, costs and expenses of the Agent Bank, the Paying Agents, the Account Bank, the Swap Collateral Account Bank, the Class Z VFN Registrar and the Corporate Services
(c) Third party expenses	(c) Amounts to be applied as Available Revenue Receipts	
(d) Amounts due in		

	respect of the fees and costs of the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager and the Back-Up Servicer Facilitator		Provider
(e)	Amounts due to the Interest Rate Swap Providers (excluding any Interest Rate Swap Excluded Termination Amounts)	(c)	Amounts due in respect of the fees and costs of the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager and the Back-Up Servicer Facilitator
(f)	Interest due on the Class A Notes	(d)	Amounts due to the Interest Rate Swap Providers (excluding any Interest Rate Swap Excluded Termination Amounts)
(g)	Amounts to be credited to the Class A Principal Deficiency Sub-Ledger	(e)	Interest and principal amounts due on the Class A Notes
(h)	Amounts to be credited to the General Reserve Ledger	(f)	Amounts due in respect of principal and interest on the Class Z VFN
(i)	From and including the Step-Up Date, (a) the Issuer Profit Amount; and then (b) all remaining Available Revenue Receipts to be applied as Available Principal Receipts until the Class A Notes have been redeemed in full	(g)	Interest Rate Swap Excluded Termination Amounts
		(h)	Issuer Profit Amount
		(i)	Deferred Consideration

- (j) Amounts to be credited to the Class Z VFN Principal Deficiency Sub-Ledger
- (k) Interest due on the Class Z VFN
- (l) From and including the Closing Date, up to and excluding the Step-Up Date, Issuer Profit Amount
- (m) Interest Rate Swap Excluded Termination Amounts
- (n) If such Interest Payment Date falls directly after a Determination Period, then the excess (if any) to the Transaction Account
- (o) Following redemption in full of the Class A Notes, Principal Amounts due on the Class Z VFN
- (p) Deferred Consideration

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

- availability of the **General Reserve Fund**, funded on the Closing Date by the Class Z VFN up to the General Reserve Required Amount from a portion of the proceeds of the Class Z VFN Holder's subscription of the Class Z VFN. Monies standing to the credit of the General Reserve Fund will be used as Available Revenue Receipts on each Interest Payment Date. After the Closing Date, the General Reserve Fund will

be replenished up to the General Reserve Required Amount on each Interest Payment Date from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments (see section "*Credit Structure – General Reserve Fund and General Reserve Ledger*" for further details);

- a Principal Deficiency Ledger will be established for each Class of Notes to record the notional principal losses corresponding to each Class of Notes in reverse sequential order. Available Revenue Receipts will be applied in accordance with the Pre-Acceleration Revenue Priority of Payments to make up the relevant Principal Deficiency Ledger in sequential order (see section "*Credit Structure – Principal Deficiency Ledgers*" for further details);
- availability of an overnight rate provided by the Account Bank in respect of monies held in the Transaction Account (see section "*Credit Structure – Transaction Account*" for further details);
- availability of a floating interest rate swap provided by the Floating Interest Rate Swap Provider to hedge against the possible variance between the floating rates of interest received on the AMR Loans in the Portfolio and the rates of interest payable on the Notes (see section "*Credit Structure – Interest Rate Risk for the Notes*" for further details);
- availability of a fixed interest rate swap provided by the Fixed Interest Rate Swap Provider to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes (see section "*Credit Structure – Interest Rate Risk for the Notes*" for further details);
- if, on any Interest Payment Date whilst there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest otherwise due on the Class Z VFN, then the Issuer will be entitled to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date (see the section "*Credit Structure – Available Receipts*" for further details.)

Bank Accounts

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

Collections of revenue and principal in respect of the Loans in the Portfolio are received by the Seller in its Collection Account(s). The Seller (and, where relevant, the Servicer) is obliged to transfer collections in respect of the Loans in the Portfolio to the Transaction Account from the Collection Account(s) on a daily basis. On each Interest Payment Date, the Cash Manager will apply monies from the Transaction Account in accordance with the relevant Priority of Payments. Monies from the Transaction Account may also be used to pay the Additional Borrowing Purchase Price in respect of any Additional Borrowing on any Monthly Pool Date.

Swap Collateral Account means an account (including a cash and/or a securities account) opened by the Issuer with Barclays Bank PLC in its capacity as the Swap Collateral Account Bank for the purposes of depositing any collateral to be posted by an Interest Rate Swap Provider pursuant to the terms of an Interest Rate Swap Agreement.

Swap Collateral Account Bank means Barclays Bank PLC with whom the Swap Collateral Account is held, pursuant to the terms of the Bank Account Agreement.

Cash Management

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

- (a) provide the Issuer, the Note Trustee, the Seller, the Paying Agent, the Class A Noteholders, the Fixed Interest Rate Swap Provider, the Floating Interest Rate Swap Provider and the Rating Agencies with a monthly investor report (except in the case of the first investor report which will be delivered and published on the www.aldermore.co.uk website by no later than the 16th Business Day of August 2014) (the **Investor Report**) setting out certain aggregated loan data in relation to the Portfolio by no later than the 16th Business Day of each month;
- (b) calculate the Available Revenue Receipts and Available Principal Receipts of the Issuer;
- (c) apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;
- (d) if required by the Security Trustee, apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Acceleration Priority of Payments;
- (e) record credits to, and debits from, the General Reserve Ledger, the Revenue Ledger, the Issuer Profit Ledger, the Principal Deficiency Ledger and the Principal Ledger as and when required;
- (f) make payments of any Additional Borrowing Purchase Price to the Seller;
- (g) make a drawing under the Class Z VFN as required, including, without limitation, any drawing required to fund the Additional Borrowing Purchase Price;
- (h) make any determinations required to be made by the Issuer under the Interest Rate Swap Agreements;

- (i) credit all swap collateral posted by the Fixed Interest Rate Swap Provider if required pursuant to the Fixed Interest Rate Swap Agreement to the Swap Collateral Account; and
- (j) make any determinations and calculations in respect of the Reconciliation Amount, if necessary.

Back-Up Cash Management

Pursuant to the Back-Up Cash Management Agreement, the Back-Up Cash Manager will agree to provide certain cash management and other services to the Issuer following the termination of the appointment of the Cash Manager for any reason.

The Back-Up Cash Manager's principal function upon the termination of the appointment of the Cash Manager will be effecting payments to and from the Transaction Account and the Swap Collateral Account, and providing the other services detailed above under "*Transaction Overview – Credit Structure and Cashflow – Cash Management*".

Fixed Interest Rate Swap

On or about the Closing Date, the Fixed Interest Rate Swap Provider will enter into an ISDA Master Agreement (including a schedule and a credit support annex thereto and one or more confirmations thereunder) with the Issuer (as amended from time to time) (the **Fixed Interest Rate Swap Agreement**).

Payments received by the Issuer under certain of the Loans in the Portfolio will be subject to fixed rates of interest. The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to Three-Month Sterling LIBOR. Pursuant to the Fixed Interest Rate Swap Agreement the Issuer will enter into a swap to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and Three-Month Sterling LIBOR (the **Fixed Interest Rate Swap**). The rate payable by the Issuer under the Fixed Interest Rate Swap is not intended to be an exact match of the interest rates that the Issuer receives in respect of the Fixed Rate Loans in the Portfolio.

The Fixed Interest Rate Swap has the following key commercial terms:

Fixed Rate Notional Amount: an amount in Sterling equal to the aggregate closing Current Balance of the Fixed Rate Loans in the Portfolio on the last calendar day of each of January, April, July and October (commencing on the last calendar day of July 2014 and ending on the Termination Date) immediately preceding the first day of the Interest Period (each a **Quarter Date**), (subject to a cap as set out in the Fixed Interest Rate Swap Agreement) to provide flexibility for Additional Borrowings and Product Transfers.

Issuer payment: the amount equal to the product of (i) 1.14 per cent. per annum and (ii) Fixed Rate Notional Amount of the Fixed Interest Rate Swap for the relevant Interest Period and (iii) the relevant day count fraction.

Fixed Interest Rate Swap Provider payment: the amount equal to the product of (i) the Fixed Rate Notional Amount of the Fixed Interest Rate Swap for the relevant Interest Period; (ii) three month Sterling LIBOR determined in accordance with the Fixed Interest Rate Swap Agreement; and (iii) the relevant

day count fraction.

Frequency of payment: quarterly on each Interest Payment Date.

Scheduled Termination Date: the earlier of (i) the date on which the Notes are redeemed in full on their Final Maturity Date or in accordance with Condition 7.2 of the Notes (*Mandatory Redemption*); and (ii) the date on which the aggregate of the Current Balances of the Fixed Rate Loans is reduced to zero following either (a) the Step-Up Date or (b) the occurrence of an early termination date following an event of default or termination event under the Back-to-Back Swap. The Fixed Interest Rate Swap may terminate in advance of the Scheduled Termination Date if an Early Termination Event were to occur and in such circumstances a termination amount would be payable.

On the Closing Date, the Fixed Interest Rate Swap Guarantor will issue a guarantee (the **Fixed Interest Rate Swap Guarantee**) under which it guarantees the timely payment of all amounts owing by the Fixed Interest Rate Swap Provider under the Fixed Interest Rate Swap.

See section "*Credit Structure – Interest Rate Risk for the Notes – Fixed Interest Rate Swap*" for further details.

Floating Interest Rate Swap

On or about the Closing Date, the Floating Interest Rate Swap Provider will enter into an ISDA Master Agreement (including a schedule and one or more confirmations thereunder) with the Issuer (as amended from time to time) (the **Floating Interest Rate Swap Agreement**) (each of the Fixed Interest Rate Swap Provider, the Floating Interest Rate Swap Provider and any replacement swap provider an **Interest Rate Swap Provider** and each of the Fixed Interest Rate Swap Agreement, the Floating Interest Rate Swap Agreement and any replacement swap agreement, an **Interest Rate Swap Agreement**).

Payments received by the Issuer under the AMR Loans in the Portfolio will be subject to the Seller's discretionary standard variable rates of interest. The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to Three-Month Sterling LIBOR. Pursuant to the Floating Interest Rate Swap Agreement the Issuer will enter into a swap to hedge against the possible variance between the discretionary variable rates of interest received on the AMR Loans in the Portfolio and Three-Month Sterling LIBOR (the **Floating Interest Rate Swap**). The rate payable by the Issuer under the Floating Interest Rate Swap is not intended to be an exact match of the interest rates that the Issuer receives in respect of the AMR Loans in the Portfolio.

The Floating Interest Rate Swap has the following key commercial terms:

Floating Rate Notional Amount: an amount in Sterling equal to the aggregate closing Current Balance of the AMR Loans in the Portfolio on the last calendar day of each of January, April, July and October (commencing on the last calendar day of July 2014 and ending on the Termination Date) immediately preceding the first day of the Interest Period (each a **Quarter Date**).

Issuer payment: the amount equal to the product of (i) the weighted average of the rates of interest payable by each of the relevant Borrowers in respect of the AMR Loans (including any applicable discount or premium on such AMR

Loans) as determined as at the close of the last calendar day of January, April, July and October (ii) the Floating Rate Notional Amount for the relevant Interest Period and (iii) the relevant day count fraction.

Floating Interest Rate Swap Provider payment: the amount equal to the product of (i); three month Sterling LIBOR determined in accordance with the Floating Interest Rate Swap Agreement plus a spread of 2.00 per cent. (ii) the Floating Rate Notional Amount for the relevant Interest Period and (iii) the relevant day count fraction.

Frequency of payment: quarterly on each Interest Payment Date.

Scheduled Termination Date: the earlier of the date on which the Notes are redeemed in full on their Final Maturity Date or in accordance with Condition 7.2 of the Notes (*Mandatory Redemption*). The Floating Interest Rate Swap may terminate in advance of the Scheduled Termination Date if an Early Termination Event were to occur and in such circumstances a termination amount would be payable.

See section "*Credit Structure – Interest Rate Risk for the Notes – Floating Interest Rate Swap*" for further details.

TRANSACTION OVERVIEW – TRIGGERS TABLES

Rating Triggers Table

<u>Transaction Party</u>	<u>Required Ratings</u>	<u>Contractual requirements on occurrence of breach of ratings trigger include the following:</u>
<p>Fixed Interest Rate Swap Provider</p>	<p>The Required Ratings in respect of each Rating Agency are set out below.</p> <p>The terms S&P Initial Required Ratings, S&P Subsequent Required Ratings, S&P Required Ratings, Moody’s Initial Required Ratings and Moody’s Subsequent Required Ratings have the meaning given to them below (taking into account any applicable S&P Replacement Option).</p> <p>For so long as the Class A Notes are rated by S&P the Required Ratings for S&P below (the S&P Required Ratings) apply. The relevant S&P Required Ratings depend on which S&P replacement option is elected by the Fixed Interest Rate Swap Provider from time to time (the S&P Replacement Option). There are four S&P Replacement Options numbered 1 to 4.</p> <p>S&P Initial Required Ratings where S&P Replacement Option 1 applies</p> <p>One of the Fixed Interest Rate Swap Provider, the Fixed Interest Rate Swap Guarantor or any future additional guarantor must satisfy the following requirements to have the S&P Initial Required Ratings:</p> <p>(a) a long term issuer credit rating</p>	<p>The relevant remedial actions are set out below depending on the trigger that has been breached. The timing for the relevant actions depends on the relevant trigger that has been breached.</p> <p>Following the loss of any S&P Required Rating, if within the relevant period, the Fixed Interest Rate Swap Provider may, in addition to each of the remedies set out below, elect to change the S&P Replacement Option in order to cure the breach of the ratings trigger (i.e. where the Fixed Interest Rate Swap Provider has the Required Ratings under another S&P Replacement Option but does not have the Required Ratings under the S&P Replacement Option currently in effect).</p> <p>The Fixed Interest Rate Swap Provider must provide collateral (to the extent required depending on the value of the Fixed Interest Rate Swap to each of the parties at such time) unless it transfers its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria or it obtains a guarantee</p>

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
	<p>assigned to the relevant entity by S&P (the S&P Long-Term Rating) that is equal to or higher than the Class A Notes; or</p>	<p>from an entity with the S&P Initial Required Ratings.</p>
	<p>(b) if the Class A Notes have a rating of "AAA(sf)" or "AA+(sf)", the S&P Long-Term Rating is "A" or above and the short-term issuer credit rating assigned to the relevant entity by S&P is "A-1" or above; or</p>	<p>The Issuer may terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider fails to provide collateral in the relevant time period (to the extent the Fixed Interest Rate Swap Provider is required to do so).</p>
	<p>(c) if the Class A Notes have a rating of "AA(sf)" or "AA-(sf)", the S&P Long-Term Rating is "A-" or above; or</p>	
	<p>(d) if the Class A Notes have a rating of "A+(sf)" or "A(sf)", the S&P Long-Term Rating is "BBB+" or above; or</p>	
	<p>(e) if the Class A Notes have a rating of "A-(sf)" or "BBB+(sf)", the S&P Long-Term Rating is "BBB" or above and the short-term issuer credit rating assigned to the relevant entity by S&P is "A-2" or above; or</p>	
	<p>(f) if the Class A Notes have a rating of "BBB(sf)", the S&P Long-Term Rating is "BBB-" or above; or</p>	
	<p>(g) the Class A Notes have a rating of "BBB-(sf)" or lower, the S&P Long-Term Rating is equal to or higher than the rating of the Class A Notes.</p>	
	<p>S&P Subsequent Required Ratings where S&P Replacement Option 1 applies</p>	
	<p>One of the Fixed Interest Rate Swap Provider, the Fixed Interest Rate Swap</p>	<p>The Fixed Interest Rate Swap Provider Swap must use its commercially</p>

<u>Transaction Party</u>	<u>Required Ratings</u>	<u>Contractual requirements on occurrence of breach of ratings trigger include the following:</u>
	<p>Guarantor or any future additional guarantor must satisfy the following requirements to have the S&P Subsequent Required Ratings:</p> <ul style="list-style-type: none"> (a) a S&P Long-Term Rating that is equal to or higher than the Class A Notes; or (b) if the Class A Notes have a rating of "AAA(sf)", "AA+(sf)" or "AA(sf)", the S&P Long-Term Rating is "BBB+" or above; or (c) if the Class A Notes have a rating of "AA-(sf)", "A+(sf)" or "A(sf)", the S&P Long-Term Rating is "BBB" or above and the short-term issuer credit rating assigned to the relevant entity by S&P is "A-2" or above; or (d) if the Class A Notes have a rating of "A-(sf)" or "BBB+(sf)", the S&P Long-Term Rating is "BBB-" or above; or (e) if the Class A Notes have a rating of "BBB(sf)" or "BBB-(sf)", the S&P Long-Term Rating is "BB+" or above; or (f) if the Class A Notes have a rating of "BB+(sf)" or lower, the S&P Long-Term Rating is equal to or higher than the rating of the Class A Notes. 	<p>reasonable efforts as soon as reasonably practicable to either transfer its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria or obtain a guarantee from an entity with at least the S&P Subsequent Required Ratings.</p> <p>Whilst this process is ongoing the Fixed Interest Rate Swap Provider Swap must also provide collateral (to the extent required depending on the value of the Fixed Interest Rate Swap to each of the parties at such time).</p> <p>The Issuer may terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider fails to provide collateral in the relevant time period (to the extent the Fixed Interest Rate Swap Provider is required to do so). The Issuer may also terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired and, inter alia, an offer has been made by a third party that is able to assume the obligations of the Fixed Interest Rate Swap Provider.</p>

S&P Initial Required Ratings where S&P Replacement Option 2 applies

One of the Fixed Interest Rate Swap Provider, the Fixed Interest Rate Swap Guarantor or any future additional guarantor must satisfy the following requirements to have the S&P Initial Required Ratings:

The Fixed Interest Rate Swap Provider must provide collateral (to the extent required depending on the value of the Fixed Interest Rate Swap to each of the parties at such time) unless it transfers its obligations to an entity that is eligible to be a swap provider under the S&P

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
	<p>(a) the S&P Long-Term Rating that is equal to or higher than the Class A Notes; or</p> <p>(b) if the Class A Notes have a rating of "AAA(sf)", "AA+(sf)" or "AA(sf)", the S&P Long-Term Rating is "A" or above and the short-term issuer credit rating assigned to it by S&P is "A-1" or above; or</p> <p>(c) if the Class A Notes have a rating of "AA-(sf)", "A+(sf)" or "A(sf)", the S&P Long-Term Rating assigned to it by S&P is "A-" or above; or</p> <p>(d) if the Class A Notes have a rating of "A-(sf)", the S&P Long-Term Rating assigned to it by S&P is "BBB+" or above; or</p> <p>(e) if the Class A Notes have a rating of "BBB+(sf)" or lower, the S&P Long-Term Rating is equal to or higher than the rating of the Class A Notes provided that if the long-term issuer credit rating assigned to it by S&P is "BBB", in addition, the short-term issuer credit rating assigned to it by S&P is "A-2" or above.</p>	<p>ratings criteria or it obtains a guarantee from an entity with the S&P Initial Required Ratings.</p> <p>The Issuer may terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider fails to provide collateral in the relevant time period (to the extent the Fixed Interest Rate Swap Provider is required to do so).</p>

S&P Subsequent Required Ratings where S&P Replacement Option 2 applies

One of the Fixed Interest Rate Swap Provider, the Fixed Interest Rate Swap Guarantor or any future additional guarantor must satisfy the following requirements to have the S&P Subsequent Required Ratings:

- (a) a S&P Long-Term Rating that

The Fixed Interest Rate Swap Provider Swap must use its commercially reasonable efforts as soon as reasonably practicable to either transfer its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria or obtain a guarantee from an entity with at least the S&P

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
	is equal to or higher than the Class A Notes; or	Subsequent Required Ratings.
(b)	if the Class A Notes have a rating of "AAA(sf)", "AA+(sf)" or "AA(sf)", the S&P Long-Term Rating is "A-" or above; or	<p>Whilst this process is ongoing the Fixed Interest Rate Swap Provider Swap must also provide collateral (to the extent required depending on the value of the Fixed Interest Rate Swap to each of the parties at such time). The collateral requirements are greater than those that apply upon loss of the S&P Initial Required Ratings.</p> <p>The Issuer may terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider fails to provide collateral in the relevant time period (to the extent the Fixed Interest Rate Swap Provider is required to do so). The Issuer may also terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired and, inter alia, an offer has been made by a third party that is able to assume the obligations of the Fixed Interest Rate Swap Provider.</p>
(c)	if the Class A Notes have a rating of "AA-(sf)", "A+(sf)" or "A(sf)", the S&P Long-Term Rating is "BBB+" or above; or	
(d)	if the Class A Notes have a rating of "A-(sf)" or "BBB+(sf)", the S&P Long-Term Rating is "BBB" or above and the short-term issuer credit rating assigned to it by S&P is "A-2" or above; or	
(e)	if the Class A Notes have a rating of "BBB(sf)", the S&P Long-Term Rating is "BBB-" or above; or	
(f)	if the Class A Notes have a rating of "BBB-(sf)" or lower, the S&P Long-Term Rating is equal to or higher than the rating of the Class A Notes.	

S&P Required Ratings where S&P Replacement Option 3 applies

One of the Fixed Interest Rate Swap Provider, the Fixed Interest Rate Swap Guarantor or any future additional guarantor must satisfy the following requirements to have the S&P Required Ratings:

- (a) the S&P Long-Term Rating that is equal to or higher than the Class A Notes; or
- (b) if the Class A Notes have a rating of "AAA(sf)", "AA+(sf)" or "AA(sf)", the S&P Long-Term

The Fixed Interest Rate Swap Provider Swap must use its commercially reasonable efforts as soon as reasonably practicable to either transfer its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria or obtain a guarantee from an entity with at least the S&P Required Ratings.

Whilst this process is ongoing the Fixed Interest Rate Swap Provider Swap must also provide collateral (to the extent required depending on the value

<u>Transaction Party</u>	<u>Required Ratings</u>	<u>Contractual requirements on occurrence of breach of ratings trigger include the following:</u>
	<p>Rating is "A" or above and the short-term issuer credit rating assigned to it by S&P is "A-1" or above; or</p> <p>(c) if the Class A Notes have a rating of "AA-(sf)", "A+(sf)" or "A(sf)", the S&P Long-Term Rating assigned to it by S&P is "A-" or above; or</p> <p>(d) if the Class A Notes have a rating of "A-(sf)", the S&P Long-Term Rating assigned to it by S&P is "BBB+" or above; or</p> <p>(e) if the Class A Notes have a rating of "BBB+(sf)" or lower, the S&P Long-Term Rating is equal to or higher than the rating of the Class A Notes provided that if the long-term issuer credit rating assigned to it by S&P is "BBB", in addition, the short-term issuer credit rating assigned to it by S&P is "A-2" or above.</p>	<p>of the Fixed Interest Rate Swap to each of the parties at such time).</p> <p>The Issuer may terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider fails to provide collateral in the relevant time period (to the extent the Fixed Interest Rate Swap Provider is required to do so). The Issuer may also terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired and, inter alia, an offer has been made by a third party that is able to assume the obligations of the Fixed Interest Rate Swap Provider.</p>

S&P Required Ratings where S&P Replacement Option 4 applies

One of the Fixed Interest Rate Swap Provider, the Fixed Interest Rate Swap Guarantor or any future additional guarantor must satisfy the following requirements to have the S&P Required Ratings:

- (a) the S&P Long-Term Rating that is equal to or higher than the highest rated outstanding Class A Notes; or
- (b) if the Class A Notes have a rating of "AAA(sf)" "AA+(sf)" or "AA(sf)", the S&P Long-Term Rating is "A+" or above; or

The Fixed Interest Rate Swap Provider Swap must use its commercially reasonable efforts as soon as reasonably practicable to either transfer its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria or obtain a guarantee from an entity with at least the S&P Required Ratings.

There is no requirement to provide collateral whilst the process is ongoing.

The Issuer may terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider either fails to use its commercially reasonable efforts to

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
(c) if the Class A Notes have a rating of "AA-(sf)", "A+(sf)", the S&P Long-Term Rating "A" or above and the short-term issuer credit rating assigned to it by S&P is "A-1" or above; or	if the Class A Notes have a rating of "A(sf)" or lower, the S&P Long-Term Rating is equal to or higher than the highest rating of the Class A Notes provided that if the long-term issuer credit rating assigned to it by S&P is "BBB", in addition, the short-term issuer credit rating assigned to it by S&P is "A-2" or above.	take the relevant actions or the relevant time period has expired and, inter alia, an offer has been made by a third party that is able to assume the obligations of the Fixed Interest Rate Swap Provider.

Initial Moody's Required Ratings

One of the Fixed Interest Rate Swap Provider, the Fixed Interest Rate Swap Guarantor or any future additional guarantor must satisfy the following requirements to have the Moody's Initial Required Ratings:

- (a) the short-term, unsecured and unsubordinated debt or counterparty obligations must be rated at least P-1 and long-term, unsecured and unsubordinated debt obligations must be rated at least A2 by Moody's (or, if the relevant entity is not the subject of a short-term rating by Moody's, the long-term, unsecured and unsubordinated debt obligations must be rated at least A1 by Moody's.

Subsequent Moody's Required Ratings

One of the Fixed Interest Rate Swap Provider, the Fixed Interest Rate Swap

The Fixed Interest Rate Swap Provider must provide collateral (to the extent required depending on the value of the Fixed Interest Rate Swap to each of the parties at such time) unless it transfers its obligations to an entity that is eligible to be a swap provider under the Moody's criteria or it obtains a guarantee from an entity with the Moody's Initial Required Ratings.

The Issuer may terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider fails to provide collateral in the relevant time period (to the extent the Fixed Interest Rate Swap Provider is required to do so).

The Fixed Interest Rate Swap Provider Swap must use its commercially

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
	<p>Guarantor or any future additional guarantor must satisfy the following requirements to have the Moody's Subsequent Required Ratings:</p> <p>(a) the short-term, unsecured and unsubordinated debt or counterparty obligations must be rated at least P-2 and long-term, unsecured and unsubordinated debt obligations must be rated at least A3 by Moody's (or, if the relevant entity is not the subject of a short-term rating by Moody's, the long-term, unsecured and unsubordinated debt obligations must be rated at least A3 by Moody's).</p>	<p>reasonable efforts as soon as reasonably practicable to either transfer its obligations to an entity that is eligible to be a swap provider under the Moody's criteria or obtain a guarantee from an entity with at least the Moody's Subsequent Required Ratings.</p> <p>Whilst this process is ongoing the Fixed Interest Rate Swap Provider Swap must also provide collateral (to the extent required depending on the value of the Fixed Interest Rate Swap to each of the parties at such time). The collateral requirements are greater than those that apply upon loss of the Moody's Initial Required Ratings.</p> <p>The Issuer may terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider fails to provide collateral in the relevant time period (to the extent the Fixed Interest Rate Swap Provider is required to do so). The Issuer may also terminate the Fixed Interest Rate Swap if the Fixed Interest Rate Swap Provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired and, inter alia, an offer has been made by a third party that is able to assume the obligations of the Fixed Interest Rate Swap Provider.</p>
Account Bank	<p>(a) A short-term, unsecured, unguaranteed and unsubordinated debt obligations rated at least P-1 by Moody's; and</p> <p>(b) A short-term, unsecured, unsubordinated and unguaranteed debt rating of A-</p>	<p>(a) The consequences of breach are that the Account Bank's appointment may be terminated and the Bank Accounts closed by the Issuer (within 30 calendar days) (such termination being effective on a replacement account bank being appointed by the Issuer with the prior written consent of the Security Trustee);</p> <p>(b) The consequences of breach are that the Account Bank's appointment may be terminated</p>

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
Collection Account Bank	<p>1 by S&P (if a short-term rating is assigned by S&P) and a long-term, unsecured, unsubordinated and unguaranteed debt rating of A by S&P or a long-term, unsecured, unsubordinated and unguaranteed debt rating of A+ by S&P (if the short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated by S&P or are rated below A-1 by S&P).</p> <p>Short-term, unsecured, unsubordinated and unguaranteed debt obligations rated at least A-2 by S&P and long-term, unsecured, unsubordinated and unguaranteed debt obligations rated at least BBB by S&P or long-term, unsecured, unsubordinated and unguaranteed debt obligations rated at least BBB+ by S&P (if short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated by S&P or are rated below A-2 by S&P)</p>	<p>by the Issuer (within 30 calendar days) (such termination being effective on a replacement account bank being appointed by the Issuer with the prior written consent of the Security Trustee);</p> <p>The Seller (or the Servicer on its behalf) will be required to:</p> <ul style="list-style-type: none"> (a) open a replacement collection account in the name of the Seller with a financial institution (x) having a rating of at least the Collection Account Bank Rating, (y) approved in writing by the Issuer and the Security Trustee and (z) which is a bank as defined in Section 991 of the Income Tax Act 2007; 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, <p>in each case as prescribed and within the time limits as set out in the Servicing Agreement, and transfer all direct debit mandates to such replacement collection account and procure that all Monthly Payments made by a Borrower under a payment arrangement other than by way of a direct debit are made</p>

Transaction Party

Required Ratings

Contractual requirements on occurrence of breach of ratings trigger include the following:

to such replacement collection account from the date on which the replacement collection account is opened.

Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of trigger include the following:
Servicer Termination Event	The occurrence of any of the following:	On the occurrence of a Servicer Termination Event, the Issuer may terminate the appointment of the Servicer under the Servicing Agreement and the Back-Up Servicer may following a notice period of 60 days commence the provision of the Back-Up Services as set out in the Back-Up Servicing Agreement, provided that the Back-Up Servicer shall not be obliged to act as servicer before the date falling 90 days after the Closing Date.
See the section entitled " <i>Summary of the Transaction documents – The Servicing Agreement</i> " for further information.	(a) the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of thirty (30) Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied; (b) the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, and the Servicer does not remedy that failure within thirty (30) Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee requiring the Servicer's non-compliance to be remedied; (c) an Insolvency Event occurs in relation to the Servicer; (d) the Issuer resolves, after due consideration and acting reasonably (with the consent of the Note Trustee), that the appointment of the Servicer should be terminated.	
Back-Up Servicer Termination Event	The occurrence of any of the following:	

Nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of trigger include the following:
See the section entitled " <i>Summary of the Transaction documents – The Back-Up Servicing Agreement</i> " for further information.	<p>(a) the Back-Up Servicer defaults in the performance or observance of any of its covenants and obligations under the Back-Up Servicing Agreement, and the Back-Up Servicer does not remedy that failure within thirty (30) Business Days after the earlier of the Back-Up Servicer becoming aware of the failure or of receipt by the Back-Up Servicer of written notice from the Issuer, the Seller or the Security Trustee requiring the Back-Up Servicer's non-compliance to be remedied;</p> <p>(b) an Insolvency Event occurs in relation to the Back-Up Servicer;</p> <p>(c) the Issuer resolves, after due consideration and acting reasonably (with the consent of the Note Trustee), that the appointment of the Back-Up Servicer should be terminated.</p>	On the occurrence of a Back-Up Servicer Termination Event, the Issuer may terminate the appointment of the Back-Up Servicer under the Back-Up Servicing Agreement and the Issuer (with the assistance of the Back-Up Servicer Facilitator) will, as soon as reasonably practicable after such Back-Up Servicer Termination Event, appoint a replacement back-up servicer.
Cash Manager Termination Event	The occurrence of any of the following:	
See the section entitled " <i>Summary of the Transaction documents – The Cash Management Agreement</i> " for further information.	<p>(a) the Cash Manager defaults in the payment on the due date of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of seven (7) 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, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;</p>	On the occurrence of a Cash Manager Termination Event, the Issuer (prior to the delivery of a Note Acceleration Notice) (with the written consent of the Security Trustee) or (following the service of a Note Acceleration Notice) the Security Trustee may terminate the appointment of the Cash Manager under the Cash Management Agreement and the Back-Up Cash Manager will following a notice period of 2 calendar days from the date of termination of the appointment of the Cash Manager under the Cash Management Agreement commence the provision of the Cash Management Services as set out in the Back-Up Cash

Nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of trigger include the following:
(b)	the Cash Manager defaults in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, and the Cash Manager does not remedy that failure within thirty (30) Business Days after the earlier of the Cash Manager becoming aware of the failure or of receipt by the Cash Manager of written notice from the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee requiring the Cash Manager's non-compliance to be remedied;	Management Agreement.
(c)	an Insolvency Event occurs in relation to the Cash Manager;	
(d)	a Potential Cash Manager Termination Event occurs and the Cash Manager (or the Back-Up Cash Manager on its behalf) does not remedy such default during the next following 2 Business Days.	
Potential Cash Manager Termination Event	The occurrence of any of the following:	On the occurrence of a Potential Cash Manager Termination Event, the Cash Manager (or the Back-Up Cash Manager on its behalf) shall remedy such breach during the next following 2 Business Days. A failure to remedy such event within 2 Business Days shall constitute a Cash Manager Termination Event.
See the section entitled " <i>Summary of the Transaction documents – The Cash Management Agreement</i> " for further information.	<p>(a) the Cash Manager defaults in its obligation to provide the Investor Report within the time period set out in the Cash Management Agreement; or</p> <p>(b) the Cash Manager defaults in its obligation to provide the Principal Paying Agent with certain information required within the time period set out in the Agency Agreement.</p>	
Back-Up Cash	The occurrence of any of the following:	

Nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of trigger include the following:
Manager Termination Events	<p>(a) the Back-Up Cash Manager defaults in the performance or observance of any of its covenants and obligations under the Back-Up Cash Management Agreement, and the Back-Up Cash Manager does not remedy that failure within thirty (30) Business Days after the earlier of the Back-Up Cash Manager becoming aware of the failure or of receipt by the Back-Up Cash Manager of written notice from the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee requiring the Back-Up Cash Manager's non-compliance to be remedied;</p> <p>(b) an Insolvency Event occurs in relation to the Back-Up Cash Manager.</p>	<p>On the occurrence of a Back-Up Cash Manager Termination Event, the Issuer (with the written consent of the Security Trustee) or the Security Trustee may by notice in writing to the Back-Up Cash Manager (copied to the Issuer) terminate the appointment of the Back-Up Cash Manager under the Back-Up Cash Management Agreement and a replacement back-up cash manager shall be appointed back-up cash manager.</p>

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
Servicing Fees	For so long as Aldermore is the Servicer, 0.08 per cent. per annum, (inclusive of VAT, if any), on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date (if a replacement servicer which is not the Back-Up Servicer is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall pay the replacement servicer for its services a fee to be determined at the time of such appointment)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Back-Up Servicing Fees	From the period beginning on the date of the Back-Up Servicing Agreement and ending on the day before the Back-Up Servicer Succession Date, the Issuer shall pay to the Back-Up Servicer a Back-Up Servicing fee of £30,000 per annum (exclusive of VAT) (subject to adjustment from the second anniversary of the date of the Back-Up Servicing Agreement in accordance with the retail prices index).	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Cash Management Fee	For so long as Aldermore is the Cash Manager, 0.01 per cent. per annum, (inclusive of VAT, if any), on the aggregate	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
	Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date (if a replacement cash manager which is not the Back-Up Cash Manager is appointed in accordance with the terms of the Cash Management Agreement, the Issuer shall pay the replacement cash manager for its services a fee to be determined at the time of such appointment)		
Back-Up Servicer Facilitator Fees	The Back-Up Servicer Facilitator is appointed in accordance with the terms of the Servicing Agreement and the Issuer shall pay the Back-Up Servicer Facilitator for its services a fee as agreed between the Issuer and the Back-up Servicer Facilitator	Ahead of all outstanding Notes	Semi-annually in advance on each Interest Payment Date
Other fees and expenses of the Issuer	Estimated at £35,000 each year (exclusive of VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at £4,500 (exclusive of any applicable VAT)		On or before the Closing Date

VAT is currently chargeable at 20.0 per cent.

EU RISK RETENTION REQUIREMENTS

Aldermore will retain a material net economic interest of not less than 5 per cent. in the securitisation (for the life of the transaction) in accordance with the text of each of Article 405 of Regulation (EU) No 575/2013 (the **Capital Requirements Regulation**) and Article 51 of Regulation (EU) No 231/2013 (the **AIFM Regulation**) (which, in each case, does not take into account any corresponding national measures). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as required by the text of Article 405 and Article 51. Any change to the manner in which such interest is held will be notified to the Noteholders.

For a description of the information to be made available after the Closing Date by Aldermore (in its capacity as the Servicer or the Cash Manager on the Issuer's behalf), please see the summary in relation to the Investor Reports set out in "*Summary of the Key Transaction Documents – Cash Management Agreement*". Further information in respect of individual loan level data may be obtained on the following website: www.aldermore.co.uk. The website and the contents thereof do not form part of this Prospectus.

Aldermore has provided a corresponding undertaking with respect to (i) the provision of such investor information specified in the paragraph above to comply with each of Article 405 of the Capital Requirements Regulation and Article 51 of the AIFM Regulation and (ii) the interest to be retained by Aldermore to the Arranger and the Joint Lead Managers in the Subscription Agreement and to the Issuer in the Deed of Charge.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with each of Part Five of the Capital Requirements Regulation (including Article 405) and Section Five of Chapter III of the AIFM Regulation (including Article 51) and any corresponding national measure which may be relevant and none of the Issuer, Aldermore, the Seller, the Servicer or the Cash Manager nor the Arranger or the Joint Lead Managers makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes.

For further information on the requirements referred to above and the corresponding risks (including the risks arising from the current absence of any corresponding final technical standards to assist with the interpretation of the requirements) please refer to the Risk Factor entitled "*Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*".

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Portfolio

Under the Mortgage Sale Agreement, on the Closing Date, subject to the condition that no Event of Default shall have occurred which is continuing as at the Closing Date, the Issuer will pay the Initial Consideration to the Seller and a portfolio of English and Welsh residential mortgage loans (the **Loans**) and their associated Mortgages and other Related Security will be assigned by way of equitable assignment to the Issuer. The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the **Portfolio**. The terms **Loans**, **Mortgages** and **Related Security** are further defined in "Transaction Overview".

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

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

The Deferred Consideration will be paid in accordance with the priority of payments set out in the section headed "*Cashflows — Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer*" below.

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

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

Consideration means the Initial Consideration and the Deferred Consideration.

Title to the Mortgages, Registration and Notifications

The completion of the transfer of the Loans and Related Security (and where appropriate their registration) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. Notice of the sale of the Loans and their Related Security to the Issuer will not be given to any Borrower until the occurrence of a Perfection Event.

The transfers to the Issuer will be completed as soon as reasonably practicable, and in any case, on or before the 20th Business Day after the earliest to occur of the following:

- (a) the Seller being required to perfect legal title to the Loans and their Related Security (i) by an order of a court of competent jurisdiction, (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise, but are not necessarily limited to, mortgage lenders with whose instructions it is customary for the Seller to comply; or
- (b) it becoming necessary by law to perfect legal title to the Loans and their Related Security; or

- (c) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Note Trustee (on behalf of the Noteholders) so long as any Notes are outstanding or the other Secured Creditors if no Notes are then outstanding to take action to reduce that jeopardy; or
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Seller Insolvency Event,

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

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

- (a) an order is made or an effective resolution passed for the winding up of the Seller; or
- (b) the Seller stops or threatens to stop payment to its creditors generally or the Seller 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, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the Seller 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 Seller and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the Seller is unable to pay its debts as they fall due.

Save in relation to Loans which are Dematerialised Loans, the title deeds and customer files relating to the Portfolio are currently held by or to the order of the Seller. The Seller will undertake that all the title deeds and customer files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs or following the occurrence of an Event of Default, to the order of the Security Trustee.

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

Representations and Warranties

On the Closing Date, the Loan Warranties (as defined below) will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer.

The Seller will represent and warrant to the Issuer and the Security Trustee in the Mortgage Sale Agreement on the terms of the Loan Warranties (as defined below) in each case subject to certain additional amendments and conditions as set out in the Mortgage Sale Agreement:

- (a) in respect of each Loan and its Related Security in the Portfolio, as at the Cut-Off Date;
- (b) in relation to any Additional Borrowing, as at the last day of the Monthly Period in which the relevant Advance Date occurred; and
- (c) in relation to each Loan which is subject to a Product Transfer, as at the last day of the Monthly Period in which the relevant Transfer Date occurred.

If any of the Loan Warranties are breached in respect of a Loan as at the Cut-Off Date or as at the last day of the Monthly Period in which the relevant Advance Date and/or Transfer Date (as the case may be) occurred, such Loan will be repurchased by the Seller in accordance with the provisions of the Mortgage Sale Agreement (See "*Repurchase by the Seller*" below for more details").

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

Loans

- (a) The particulars of the Loans set out in the Portfolio Notice are true, complete and accurate in all material respects.
- (b) Each Loan was originated by the Seller in the ordinary course of business and was denominated in pounds Sterling upon origination.
- (c) No Loan has a Current Balance of more than £1,000,000.
- (d) As at the Closing Date, there are more than 1,000 Loans in the Portfolio.
- (e) Prior to the making of each Initial Advance and each Additional Borrowing, the Lending Criteria and all preconditions to the making of any Initial Advance or, as applicable, any Additional Borrowing were satisfied in all material respects subject only to such exceptions and waivers as made on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender.
- (f) In relation to any Loan subject to Additional Borrowing or a Product Transfer, the loan identifier is the same pre- and post- the completion of the Additional Borrowing or Product Transfer.
- (g) The Lending Criteria are consistent with the criteria that would be used by a Reasonable, Prudent Mortgage Lender.
- (h) Each Loan was made and its Related Security was taken or received substantially on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect.
- (i) At least one monthly payment due in respect of each Loan has been paid by the relevant Borrower as at the Cut-Off Date.
- (j) The Current Balance on each Loan and its Related Security constitutes a legal, valid, binding and enforceable debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid and binding obligations of the Borrower enforceable and non-cancellable except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the court's discretion in relation to equitable remedies.
- (k) Each Loan has been entered into by the Seller and the relevant Borrower in accordance with all applicable laws to the extent that failure to comply with those laws would have a material adverse effect on the enforceability or collectability of that Loan or its Related Security,
- (l) The rate of interest under each Loan is charged in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto.
- (m) No agreement for any Loan is wholly or partly a regulated agreement as defined in section 8(3) of the Consumer Credit Act 1974 as amended, extended or re-enacted from time to time or treated as

such or, to any extent that any Loan is wholly or partly a regulated agreement or treated as such, the Seller complied in all material respects with all regulatory requirements in respect of the Loan, in particular, without limitation, the provisions under the CCA and of CONC.

- (n) All of the Borrowers are individuals (and not partnerships) and were aged 21 years or older at the date he or she executed the relevant Mortgage.
- (o) No Loan has a maturity date falling later than three years earlier than the Final Maturity Date;
- (p) All approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the Transaction Documents from the Seller to the Issuer, of the Loans and their related Mortgages to be sold under the Mortgage Sale Agreement have been obtained or taken and there is no requirement in order for the transfer to be effective to obtain the consent of the Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Loans and their related Mortgages and such transfer or disposal shall not give rise to any claim by the Borrower against the Issuer, the Security Trustee or any of their successors in title or assigns.
- (q) None of the provisions of the Loans have been waived, altered or modified in any way by the Seller other than:
 - (i) any variation agreed with a Borrower to control or manage arrears on a Loan;
 - (ii) any variation in the maturity date of a Loan unless the maturity date is later than three years earlier than the Final Maturity Date;
 - (iii) any variation imposed by statute or as a result of UK government policy changes or initiatives aimed at assisting homeowners (including Borrowers) in meeting payments on their mortgage loans or any variation in the frequency with which the interest payable in respect of the Loan is charged;
 - (iv) any variation in the frequency with which the interest payable in respect of the Loan is charged;
 - (v) any variation to the rate of Interest payable by a Borrower as a result of the Borrowers switching to a different rate;
 - (vi) any change in the method in which the Borrower makes repayments under the Loan; or
 - (vii) any partial release of security where, after such release, the Loan continues to satisfy the applicable LTV ratio requirements set out in the Asset Tests,provided that this Loan Warranty (q) does not apply to Product Transfers.
- (r) No Loan is in arrears.
- (s) So far as the Seller is aware, no Borrower is in breach of any obligation under a Loan other than in respect of Monthly Payments.
- (t) No Loan is a Self-certified Loan, a Buy to Let Loan, an Offset Loan, a Fast-Track Mortgage Loan, a Right to Buy Loan, a Shared Ownership Loan or a Shared Equity Loan.
- (u) No Loan had an Unindexed LTV greater than 85 per cent. as at the Cut-Off Date.

- (v) No Loan had an Indexed LTV greater than 88 per cent. as at the Cut-Off Date.
- (w) The weighted average LTV as at origination of the Loans in the Portfolio was not greater than 70 per cent as at the Cut-Off Date.
- (x) No Loan had an LTV greater than 85 per cent. as at the date of origination of that Loan.
- (y) To the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or been sequestrated or had a county court judgment or court decree entered or awarded against him on or in the six years prior to the date they executed the relevant Mortgage.
- (z) No Loan is guaranteed by a third-party guarantor.
- (aa) Each Loan has been designated as a prime Loan under the Seller's designated origination policies.
- (bb) The Seller is not required to make any future Additional Borrowings under any Loan (such as with future reserve loans and retention loans).
- (cc) To the best of the Seller's knowledge, no Borrower had been in arrears with another mortgage lender at any point during the 12 months prior to the date of such Borrower's Initial Advance under its Loan.
- (dd) No Borrower under a Loan is an employee or director of the Seller.

Mortgages

- (a) Subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry the whole of the Current Balance on each Loan and all interest amounts, costs and expenses payable in respect of that Loan are secured by a Mortgage or Mortgages over a residential Property and each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage or charge and subject only in certain appropriate cases to applications for registrations or recordings at the Land Registry of England and Wales which, where required, have been made and are pending and in relation to such cases the Seller is not aware of any notice or any other matter that would prevent such registration or recording.
- (b) Each Mortgage is substantially in the form of the pro forma contained in the Standard Documentation which was applicable at the time the Mortgage was executed.
- (c) The Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage or standard security) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold or long lease Property:
 - (i) the lease cannot be forfeited on the bankruptcy of the tenant; and
 - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given.
- (d) None of the property transferred under the Mortgage Sale Agreement consists of or includes any stock or marketable securities (for the purposes of section 125 of the Finance Act 2003), chargeable securities (for the purposes of section 99 of the Finance Act 1986) or a chargeable interest (for the purposes of section 48 of the Finance Act 2003).

The Properties

- (a) All of the Properties are in England or Wales.
- (b) Each Property constitutes a separate dwelling unit and is either freehold or leasehold.
- (c) Save for children of Borrowers and children of someone living with the Borrower (including in each case, children under the age of 25 who are in full-time education), every person who, at the date upon which a Mortgage over Property situated in England and Wales was granted, had attained the age of 17 and who had been notified to the Seller as being in or about to be in actual occupation of the relevant Property, is either named as a Borrower or has signed a Deed of Consent in the form of the pro forma contained in the Standard Documentation which was applicable at the time the Mortgage was executed.
- (d) No Loan relates to a Property which is not a residential property.

Valuers' and Solicitors' Reports

- (a) Prior to the granting of each Mortgage, the Seller received a Valuation Report from a Valuer on the relevant Property (or such other form of valuation as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender.
- (b) Prior to the taking of each Mortgage (other than a remortgage), the Seller:
 - (i) instructed its solicitor or licensed conveyancer to carry out an investigation of title to the relevant Property and to undertake other searches, investigations, enquiries and other actions on behalf of the Seller in accordance with the instructions which the Seller issued to the relevant solicitor or licensed conveyancer as are set out in the CML's Lenders' Handbook for England and Wales or other comparable or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations as would be acceptable to a Reasonable, Prudent Mortgage Lender; and
 - (ii) received a Certificate of Title from the solicitor or licensed conveyancer referred to in subparagraph (a) relating to such Property and the results thereof were such as would be acceptable to a Reasonable, Prudent Mortgage Lender.
- (c) The benefit of all Valuation Reports, any other valuation report referred to above and Certificates of Title, to the extent assignable, which were provided to the Seller not more than two years prior to the date of the Mortgage Sale Agreement or the relevant Transfer Date (as applicable) can be validly assigned to the Issuer without obtaining the consent of the relevant Valuer, solicitor or licensed conveyancer.

Buildings Insurance

As far as the Seller is aware, at origination, each Property was insured under:

- (i) a buildings insurance policy arranged by the Borrower in accordance with the relevant Mortgage Conditions; or
- (ii) in the case of a leasehold property a buildings insurance policy arranged by the relevant landlord or property management company.

The Seller's Title

- (a) Immediately prior to the purchase of any Loan and the Related Security by the Issuer, and subject to registration or recording at the Land Registry, the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and Related Security agreed to be sold and/or assigned and/or held in trust by the Seller to or for the Issuer pursuant to the Mortgage Sale Agreement, free and clear of all Security Interests, adverse claims, assignments and equities (including, without limitation, rights of set-off or counterclaim and unregistered dispositions which override first registration and unregistered interests which override registered dispositions (as listed in Schedule 1 and Schedule 3 respectively of the Land Registration Act 2002), subject to the Mortgage Sale Agreement and the Borrower's equity of redemption and the Seller is not in breach of any covenant or warranty implied by reason of its selling the Portfolio with full title guarantee.
- (b) As far as the Seller is aware, all steps necessary to perfect the Seller's title to the Loans and the Related Security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay.
- (c) Save in relation to Loans which are Dematerialised Loans, the Loan Files relating to each of the Loans and their Related Security are held by, or are under the control of:
 - (i) the Seller; or
 - (ii) the Servicer.
- (d) Neither the entry by the Seller into the Mortgage Sale Agreement nor any transfer, assignment or creation of trust contemplated by the Mortgage Sale Agreement affects or will adversely affect any of the Loans and their Related Security.
- (e) There is no restriction on the assignment of the Loans and their Related Security and the Seller may freely assign and enter into trust arrangements in respect of all its rights, title, interests and benefits therein as contemplated in the Mortgage Sale Agreement without breaching any term or condition applying to any of them.
- (f) The Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan or its Related Security, other than waivers and acquiescence such as a Reasonable, Prudent Mortgage Lender might make on a case by case basis.

Interest Rates payable under the Loans

Each Loan in the Portfolio is either a Variable Rate Loan (including a Loan on which a margin either above or below the AMR is applied) or a Fixed Rate Loan.

Regulation

- (a) The Seller was authorised by and had permission from the Appropriate Regulator for entering into Regulated Mortgage Contracts as lender at the time that it entered into each such Mortgage and continues to be so authorised and hold such permission.
- (b) The Seller is authorised by and had permission from the Appropriate Regulator for conducting any other regulated activities (as set out in the FSMA (Regulated Activities) Order 2001, as amended (the Order)) in respect of a Regulated Mortgage Contract (as defined in Article 61(3)(a) of the Order in respect of the Mortgages as detailed in the Financial Services Register entry number 204503).

- (c) The Seller has complied in all material respects with all regulatory requirements in respect of the Mortgages, in particular, without limitation, the provisions of MCOB.
- (d) Each officer or employee of the Seller in any capacity which involves a controlled function (as defined in the rules of the Appropriate Regulator) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered approved person in accordance with the Appropriate Regulator's Rules.
- (e) The Seller has created and maintained all records in respect of the Mortgages in accordance with the Appropriate Regulator's Rules and any other regulatory requirement.
- (f) The Seller has not altered the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed any of the terms and conditions relating to any Loan other than in accordance with the terms and conditions of the letter of offer relating to a Loan as accepted by the applicable Borrower or other than as requested by a Borrower.
- (g) To the extent that any of the Loans qualify as distance contracts (as defined by Article 2 of the Distance Marketing of Consumer Financial Services Directive) the Seller complied with the relevant provisions of the Distance Marketing of Consumer Financial Services Directive, as implemented in the United Kingdom.

General

- (a) The Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records as are necessary to show all material transactions, payments, receipts, proceedings and notices relating to such Loan; such accounts, books and records are up-to-date and in the possession of the Seller or held to its order.
- (b) Neither the Seller nor as far as the Seller is aware any of its agents has received written notice of any litigation, claim, dispute, complaint or notice of default (in each case, subsisting, threatened or pending) in respect of any Borrower, Property, Loan, Related Security or Properties in Possession Cover which (if adversely determined) might have a material adverse effect on the value of the Portfolio or any part of it.
- (c) There are no governmental authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or to perform its obligations under the Mortgage Sale Agreement or to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence in a court in England and Wales which have not been obtained.
- (d) The assignment of the Loans and their Related Security to the Issuer on the Closing Date will comply with all applicable laws in England and Wales. The assignment of the Loans and their Related Security to the Issuer on the Closing Date is a legal, valid and binding assignment by the Seller, which is enforceable against the Seller and any creditors of the Seller and is not prohibited or invalid.

Aldermore Managed Rate or **AMR** means the Seller's discretionary standard variable rate;

Aldermore Managed Rate Loans or **AMR Loans** means Loans which are subject to the Seller's discretionary standard variable rate;

Appropriate Regulator means:

- (a) in respect of the period before 1 April 2013, the FSA; and

- (b) in respect of the period on or after 1 April 2013:
- (i) the FCA; or
 - (ii) the FCA and the PRA,
- as applicable.

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

Additional Borrowing means, in relation to a Loan, any advance of further money to the relevant Borrower (including any commitment to fund any further amount which has not yet been advanced or any further amount advanced but not yet drawn) following the making of the Initial Advance, which is secured by the same mortgage as the Initial Advance, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage;

Dematerialised Loan means a Loan completed on or after 1 January 2004 over a Property located in England or Wales in respect of which the Seller does not retain the Title Deeds;

Fast-Track Mortgage Loan means a Loan which is approved by a lender without proof of income of the Borrower at the time of the making of the Loan;

Fixed Rate Loan means a Loan to the extent that and for such time as the interest rate payable by the relevant Borrower on all or part of the outstanding balance does not vary and is fixed for a certain period of time by the Seller;

Indexed LTV means the ratio of the Current Balance of the relevant Loan divided by the indexed valuation of the relevant Property based on the lower of the Halifax House Price Index and the Nationwide House Price Index, from the date of the latest recorded Valuation of the Property to the Cut-Off Date;

Loan Agreement means, in relation to a Loan, the loan agreement entered into between the relevant Borrower and the Seller, as amended and/or restated from time to time;

Loan Files means the file or files relating to each Loan (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing *inter alia* correspondence between the Borrower and the Seller and including mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to that extent available, the solicitor's or licensed or conveyancer's certificate of title;

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

Monthly Payment means the amount which the relevant Mortgage Conditions require a Borrower to pay on each monthly payment date in respect of that Borrower's Loan;

Mortgage Conditions means all the terms and conditions applicable to a Loan, including without limitation those set out in the Seller's relevant mortgage conditions booklet, as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;

Mortgage Deed means, in respect of any Mortgage, the deed in written form creating that Mortgage;

New Loan Type means a new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the Issuer, the terms and conditions of which are materially different (in the opinion of

the Seller, acting reasonably) from the Loans comprised in the Portfolio and for the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate or any other interest rate or the benefit of any discounts, cash backs and/or rate guarantees or if it has flexible features;

Offset Loan means a Loan which permits the Borrower to offset the amount of monies standing to the credit of specified savings account(s) against the Current Balance of their Loan for the purposes of reducing the interest bearing balance of their Loan;

Reasonable, Prudent Mortgage Lender means a reasonably prudent residential mortgage lender lending to borrowers in England or Wales who generally satisfies the lending criteria of traditional sources of residential mortgage capital;

Right to Buy Loan means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under the Housing Act 1985 and the Housing Act 1996 (each as amended and updated from time to time);

Self-certified Loan means a Loan where the application was taken on the understanding that evidence of the declared income was unavailable and would not be required in order to underwrite the case;

Shared Equity Loan means a loan in respect of a property where the borrower purchases 100 per cent. of the relevant property but only pays a percentage of the market value with the balance of the purchase monies being provided by an equity sharing lender;

Shared Ownership Loan means a loan in respect of a property where the borrower acquires a percentage of the relevant property and pays rent to a landlord in respect of the remaining interest in the property;

Standard Documentation means the standard documentation, a list of which is set out in Exhibit 1 to the Mortgage Sale Agreement, or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;

Third Party Buildings Policies means the buildings insurance policies referable to each Property;

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

Title Insurance Policy means each of the title insurance policies set out in the Mortgage Sale Agreement together with, in each case, any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Loans; together with, in each case, any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Loans;

Transfer Date means the date that the Product Transfer is made;

Unindexed LTV means the ratio of the Current Balance of the relevant Loan divided by the latest recorded valuation of the relevant Property;

Valuation Report means the valuation report or reports for mortgage purposes, in the form of one of the pro forma contained in the Standard Documentation, obtained by the Seller from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of the Seller; and

Variable Rate Loans means those Loans to the extent that and for such period that their Mortgage Conditions provide that they are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions (and shall, for the avoidance of doubt, exclude Loans during the period that they are Fixed Rate Loans).

Additional Borrowings and Product Transfers

As used in this Prospectus, **Initial Advance** means all amounts advanced by the Seller to a Borrower under a Loan other than an Additional Borrowing. Subject to the satisfaction of certain conditions described generally below, the Issuer will acquire Additional Borrowings.

Additional Borrowings: The Issuer shall purchase Additional Borrowings from the Seller on the date that the relevant Additional Borrowing is advanced to the relevant Borrowers by the Seller (the **Advance Date**). The Issuer will pay the Seller an amount equal to the principal amount of the relevant Additional Borrowing (the **Additional Borrowing Purchase Price**) on the Monthly Pool Date immediately following the Monthly Period in which the relevant Advance Date occurred by using amounts standing to the credit of the Principal Ledger. Where the Issuer (or the Cash Manager on its behalf) determines that the aggregate of the amounts standing to the credit of the Principal Ledger would not be sufficient to fund such Additional Borrowing Purchase Price, the Issuer will, prior to the Class Z VFN Commitment Termination Date, make a drawing under the Class Z VFN in an amount equal to the difference between (i) amounts standing to the credit of the Principal Ledger and (ii) the Additional Borrowing Purchase Price and use such proceeds of the Class Z VFN to fund the purchase of Additional Borrowings under the Loans. If the Issuer is unable to fund the purchase of any Additional Borrowing from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall in the Additional Borrowings Purchase Price to be paid on the Monthly Pool Date, or if the Additional Borrowing occurs after the Step-Up Date the Issuer shall not complete the purchase of the relevant Additional Borrowing and the Seller must repurchase the related Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement. (See "*Repurchase by the Seller*" below for more details).

The Issuer will also pay Deferred Consideration in relation to the Loan to which such Additional Borrowing relates in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable).

If it is determined by the Servicer on the Monthly Test Date immediately following the Monthly Period in which the relevant Advance Date occurred that any of the Asset Conditions have not been met as at the last day of the Monthly Period in which the relevant Advance Date occurred (or if it is subsequently discovered that the Asset Conditions were breached as at the last day of the Monthly Period in which the relevant Advance Date occurred) in respect of the Loan subject to such Additional Borrowing, then the Seller will have an obligation to remedy such breach within 30 days after receiving written notice of such breach from the Servicer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 30 day period on behalf of the Issuer, the Seller has an obligation to repurchase such Loan and its Related Security in accordance with the provisions of the Mortgage Sale Agreement. (See "*Repurchase by the Seller*" below for more details).

Neither the Servicer nor the Seller shall make an offer to a Borrower for an Additional Borrowing if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Product Transfers: The Seller (or the Servicer on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Transfer. Any Loan which has been subject to a Product Transfer will remain in the Portfolio provided that it continues to satisfy the Asset Conditions. If it is subsequently determined by the Servicer on the Monthly Test Date immediately following the Monthly Period

in which the Product Transfer was made that any of the Asset Conditions have not been met as at the last day of the Monthly Period in which the relevant Transfer Date occurred (or such breach was subsequently discovered in respect of such date) in respect of a Loan which is the subject of a Product Transfer and which remains in the Portfolio, then the Seller will have an obligation to remedy such breach within 30 days after receiving written notice of such breach from the Servicer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 30 day period, the Seller has an obligation to repurchase such Loan and its Related Security (See "*Repurchase by the Seller*" below for more details).

The Seller (or the Servicer on its behalf) will be solely responsible for offering and documenting any Product Transfer. Neither the Servicer nor the Seller shall make an offer to a Borrower for a Product Transfer if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Product Transfer means a variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Loan other than any variation:

- (a) agreed with a Borrower to control or manage arrears on the Loan;
- (b) in the maturity date of the Loan (unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes in which case such variation will constitute a Product Transfer);
- (c) imposed by statute;
- (d) in the rate of interest payable in respect of a Loan provided that such variation will not result in the aggregate Current Balance of the Fixed Rate Loans in the Portfolio exceeding the then current maximum notional amount specified in the Fixed Interest Rate Swap and thereby preventing suitable hedging arrangements being in place for such Loan for the term of such Loan;
- (e) to the rate of interest payable by a Borrower as a result of the relevant Borrowers transferring to a different rate by operation of the Loan;
- (f) in the method in which the Borrower makes repayments under the Loan;
- (g) in the frequency with which the interest payable in respect of the Loan is charged; or
- (h) agreed with a Borrower to change the Loan from an Interest-only Loan to a Repayment Loan,

where in the case of (d) above, the notional of the relevant Interest Rate Swap would be adjusted to take account of a change to or from a fixed or floating rate until the maturity of such Loan or Loans.

High Deposit Loans

On each Monthly Test Date, the Seller shall determine whether any Borrower has a deposit account with the Seller where the balance of such deposit account is in excess of £85,000 (or such other amount as set by the Financial Services Compensation Scheme from time to time as being the limit on deposits in an account which would be protected by the Financial Services Compensation Scheme) before notice of transfer of the legal ownership of that Borrower's Loan to the Issuer is given (any such Borrower a **High Deposit Borrower** and the relevant Loan, a **High Deposit Loan**). The Seller shall send notice to the Issuer, the Cash Manager, the Back-Up Cash Manager and the Rating Agencies of any such High Deposit Loan(s) and the amount held on deposit by the relevant High Deposit Borrower with the Seller as at the immediately preceding Monthly Period End Date.

The Seller shall, pursuant to the terms of the Mortgage Sale Agreement, be required to repurchase any High Deposit Loan from the Issuer.

Repurchase by the Seller

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

- (a) *Breach of Loan Warranties on the Closing Date.* If it is determined that a Loan sold to the Issuer on the Closing Date had breached any of the Loan Warranties as at the Closing Date, and where such breach is either not capable of remedy or has not been remedied by the Seller within 30 days of receiving notice of such breach from the Issuer, then the Issuer shall serve a notice on the Seller (the **Loan Repurchase Notice**) requiring the Seller to repurchase such Loan on or before the Monthly Pool Date following the receipt by the Seller of such Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the date of repurchase;
- (b) *Insufficient Funds to fund Additional Borrowings.* If the Issuer is unable to fund the purchase of any Additional Borrowing from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall, then the Issuer shall serve a Loan Repurchase Notice on the Seller requiring the Seller to repurchase the Loan subject to such Additional Borrowing on the Monthly Pool Date following the period in which such Additional Borrowing was advanced. The repurchase price for such Loan shall be equal to its Current Balance determined as at such Monthly Pool Date (excluding the amount of the Additional Borrowing);
- (c) *Breach of the Asset Conditions in respect of Loans subject to an Additional Borrowing and/or Product Transfer.* If it is determined that a Loan subject to an Additional Borrowing or Product Transfer had not complied with the Asset Conditions on the relevant Monthly Test Date and where such breach is either not capable of remedy or has not been remedied by the Seller within 30 days of receiving notice of such breach from the Issuer, then the Issuer shall serve a Loan Repurchase Notice on the Seller requiring the Seller to repurchase such Loan subject to the relevant Additional Borrowing or Product Transfer on or before the Monthly Pool Date following the receipt by the Seller of such Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the date of repurchase (excluding, if applicable, the amount of any Additional Borrowing which has not yet been paid for by the Issuer);
- (d) *Interest Rate Hedging:* If any Back-to-Back Swap relating to the Fixed Interest Rate Swap Agreement (or to any replacement fixed interest rate swap entered into on terms similar to those set out in the Fixed Interest Rate Swap Agreement) is terminated, the Seller will be required to repurchase any Fixed Rate Loan subject to an Additional Borrowing or a Product Transfer or any AMR Loan subject to a Product Transfer which results in such AMR Loan becoming a Fixed Rate Loan, in each case on or before the Monthly Pool Date immediately following the receipt by the Seller of a Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the date of repurchase (excluding, if applicable, the amount of any Additional Borrowing which has not yet been paid for by the Issuer); and
- (e) *High Deposit Loans:* In the event the Seller determines on any Monthly Test Date that there is a High Deposit Loan in the Portfolio, the Issuer shall serve a Loan Repurchase Notice on the Seller requiring the Seller to repurchase such High Deposit Loan on or before the Monthly Pool Date following the receipt by the Seller of such Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the date of repurchase.

Asset Conditions

In order for any Loan which has been the subject of an Additional Borrowing or Product Transfer to remain in the Portfolio, the conditions below (the **Asset Conditions**) must be complied with as of the last day of the Monthly Period in which the relevant Transfer Date or Advance Date occurred. The Asset Conditions will be tested on the Monthly Test Date immediately following the Monthly Period in which such sale of the Additional Borrowing or Product Transfer took place.

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for an Additional Borrowing or a Product Transfer and if any of the Asset Conditions relating to the Loan subject to that Additional Borrowing or Product Transfer is not satisfied as at the last day of the Monthly Period in which the relevant Advance Date and/or Transfer Date occurred, then such Loan will be repurchased by the Seller in accordance with the provisions of the Mortgage Sale Agreement (see "*Repurchase by the Seller*" below for more details.)

The Asset Conditions are:

- (i) the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 3 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio at that date;
- (ii) the General Reserve Fund is at the General Reserve Required Amount, or failing such condition, a drawing is made under the Class Z VFN in order to replenish the General Reserve Fund to the General Reserve Fund Required Amount;
- (iii) the Cash Manager is not aware that the then current ratings of the Class A Notes then outstanding would be downgraded, withdrawn or qualified as a result of the relevant Additional Borrowing and/or Product Transfer remaining in the Portfolio;
- (iv) each Loan and its Related Security which is the subject of an Additional Borrowing and/or Product Transfer complies at the end of the Monthly Period in which such Additional Borrowing and/or Product Transfer occurred with the Loan Warranties;
- (v) the Asset Tests will not be breached as a result of the relevant Additional Borrowing and/or Product Transfer remaining in the Portfolio (after taking into account any drawing under the Class Z VFN);
- (vi) no Event of Default has occurred which is continuing;
- (vii) if the making of a Product Transfer would result in a New Loan Type being included in the Portfolio and advance notice in writing of any such Loans subject to a Product Transfer and/or Additional Borrowing remaining in the Portfolio has been provided to Moody's and S&P and there being no reduction, qualification or withdrawal by Moody's or S&P of the then current ratings of the Class A Notes as a consequence thereof (provided that no response or action is required to be taken by Moody's in response to such notification and provided further that should Moody's not respond or take no action in response to such notification the Seller shall be entitled to assume no reduction, qualification or withdrawal of the then current ratings of the Class A Notes shall occur by Moody's as a result of such Product Transfer);
- (viii) the Class A Principal Deficiency Sub-Ledger does not have a debit balance as at the most recent Interest Payment Date after applying all Available Revenue Receipts on that Interest Payment Date;
- (ix) the aggregate amount of all Additional Borrowings made since the Cut-Off Date does not exceed 3 per cent. of the Current Balance of the Loans comprised in the Portfolio on the Cut-Off Date;

- (x) in respect of Additional Borrowings or Product Transfers, the Advance Date or the Transfer Date (as the case may be) falls before the Step-Up Date; and
- (xi) no Seller Insolvency Event has occurred.

Asset Tests means tests which satisfy each of the following conditions as at the last day of the Monthly Period immediately preceding the relevant Monthly Test Date:

- (a) for Additional Borrowings, the weighted average original LTV ratio (calculated by dividing Total Debt Advanced by the Original Valuation) of the Loans in the Portfolio does not exceed 70 per cent.;
- (b) for Additional Borrowings, the outstanding Current Balance of any Loans in the Portfolio (including the relevant Additional Borrowings) with an original LTV ratio (calculated by dividing Total Debt Advanced by Original Valuation) of more than 80 per cent. does not exceed 7 per cent.;
- (c) for Additional Borrowings and Product Transfers, the outstanding Current Balance of any Loans in the Portfolio (including the relevant Additional Borrowings) with an interest only part does not exceed 40 per cent. of the aggregate Current Balance of the Portfolio;
- (d) for Additional Borrowings, the original LTV ratio (calculated by dividing Total Debt Advanced by Original Valuation and including fees applied to the balance of the Loan) of each Loan is no more than 85 per cent.;
- (e) for Product Transfers, the weighted average coupon of the Loans in the Portfolio (including the relevant Product Transfers) is not less than 4 per cent; and
- (f) for Additional Borrowings and Product Transfers, the aggregate Current Balance of any Fixed Rate Loans in the Portfolio (taking into account the relevant Additional Borrowing or Product Transfer) does not exceed the maximum fixed rate notional amount as set out in the Fixed Interest Rate Swap Agreement.

Original Valuation means the property valuation at the time of the latest advance.

Total Debt Advanced means the total amount of debt outstanding immediately following the last advance.

Governing Law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Servicing Agreement

Introduction

On or about the Closing Date, the Servicer will be appointed by the Issuer to be its agent to service the Loans and their Related Security. The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

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

Powers

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

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

Undertakings by the Servicer

The Servicer has undertaken to the Issuer and the Security Trustee to, among other things:

- (a) manage and/or service the Loans and their Related Security sold by the Seller to the Issuer as if the same had not been, or were not to be, sold to the Issuer but had remained with the Seller in accordance with the originating, underwriting, administration, arrears and enforcement policy for their repayment which are beneficially owned solely by the Seller applied by the Seller from time to time to such Loans and their Related Security (the **Seller's Policy**);
- (b) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender;
- (c) comply with any proper directions, orders and instructions which the Issuer may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (d) keep in force all approvals, authorisations, permissions and consents required in order properly to service the Loans and their Related Security and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, registrations and consents required in connection with the performance of the Services under the Servicing Agreement and in particular any necessary notification under the Data Protection Act and any authorisation and permissions under the FSMA;
- (e) prepare and submit on behalf of the Issuer all relevant applications and requests for approvals, authorisations and consents in connection with the business of the Issuer and in particular all relevant applications to renew and to vary and all notifications of change under the Data Protection Act and the Consumer Credit Act;
- (f) allocate office space, facilities, equipment and staff sufficient to enable it to perform its obligations under the Servicing Agreement;
- (g) not knowingly fail to comply with any legal or regulatory requirements in the performance of the Services;
- (h) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions required by law;
- (i) not without the prior written consent of the Security Trustee amend or terminate any of the Transaction Documents save in accordance with their terms;

- (j) as soon as reasonably practicable upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement, notify the Issuer in writing of such event;
- (k) on or prior to each Monthly Test Date, to provide the Cash Manager, the Back-Up Cash Manager, the Issuer and Seller with a report detailing the information relating to the Portfolio necessary to produce the Investor Report (the **Servicer Report**); and
- (l) deliver to the Issuer and the Security Trustee as soon as reasonably practicable but in any event within five Business Days of becoming aware thereof a notice of any Servicer Termination Event or any event which with the giving of notice or lapse of time or certification would constitute the same.

Setting of Interest Rates on the Loans

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set, in relation to the Loans in the Portfolio, the Issuer Aldermore Managed Rate and any other discretionary rates or margins applicable in relation to the Loans comprising the Portfolio from time to time. The Servicer will not (except in limited circumstances) at any time set or maintain:

- (a) the Issuer Aldermore Managed Rate applicable to any Variable Rate Loan in the Portfolio at a rate which is higher than (although it may be equal to) the then prevailing relevant Aldermore Managed Rate which applies to Loans beneficially owned by the Seller outside the Portfolio (the **Seller Aldermore Managed Rate** and together with the Issuer Aldermore Managed Rate, the **Aldermore Managed Rates**); or
- (b) any other discretionary rate or margin (together with the Aldermore Managed Rates, the **Discretionary Rates**) in respect of any other Loan in the Portfolio which is higher than (although it may be equal to) the interest rate or margin of the Seller, which applies to that type of Loan beneficially owned by the Seller outside the Portfolio.

In particular, the Servicer shall determine as of each Calculation Date immediately preceding each Interest Payment Date, having regard to the aggregate of:

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

whether the Issuer would receive an amount of revenue during the relevant Collection Period which is less than the amount which is the aggregate of the amount of interest which would be payable in respect of the Notes on the Interest Payment Date falling at the end of that Interest Period and amounts which rank in priority thereto under the Priority of Payments.

If the Servicer determines that there would be a shortfall in the foregoing amounts, it will give written notice to the Issuer, within three Business Days of such determination of the amount of the shortfall.

If the Issuer notifies the Servicer that, having regard to the obligations of the Issuer, the Discretionary Rates should be increased, then the Servicer will take all steps which are necessary to increase the Discretionary Rates, including publishing any notice which is required in accordance with the applicable mortgage terms.

Prior to the delivery of a Note Acceleration Notice, the Issuer with the prior written consent of the Security Trustee and (following delivery of a Note Acceleration Notice), the Security Trustee may terminate the authority of the Servicer under the Servicing Agreement to determine and set the Discretionary Rates on or after the occurrence of a Servicer Termination Event defined under "*Removal or Resignation of the Servicer*" below in which case the Issuer shall set the Discretionary Rate itself in accordance with the above provisions.

As soon as reasonably practicable following a Perfection Event or the termination of the Floating Interest Rate Swap, the Servicer shall take all steps which are necessary to set the Issuer Aldermore Managed Rate (including publishing any notice which is required in accordance with the Mortgage Conditions to effect such change in the Issuer Aldermore Managed Rate) to a rate not less than Three-Month Sterling LIBOR at the most recent Interest Payment Date plus 2.00 per cent. and thereafter the Servicer shall set the Issuer Aldermore Managed Rate on a quarterly basis on each Interest Determination Date at a rate not less than Three-Month Sterling LIBOR at such Interest Determination Date plus 2.00 per cent.

Reasonable, Prudent Mortgage Lender

For the avoidance of doubt, any action taken by the Servicer to set the Discretionary Rates which are lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a Reasonable, Prudent Mortgage Lender.

Compensation of the Servicer

The Servicer receives a fee for servicing the Loans and their Related Security. So long as Aldermore is the Servicer, the Issuer pays to the Servicer a servicing fee (inclusive of VAT, if any) of 0.08 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date. The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments. If a replacement servicer is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall pay the replacement servicer for its services a fee to be determined at the time of such appointment.

Removal or Resignation of the Servicer

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

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;
- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default in the reasonable opinion of the Security Trustee (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the default and of receipt by the Servicer of written notice from the Issuer, the Seller or, after the delivery of a Note Acceleration Notice, the Security Trustee (acting on the instructions of the Note Trustee) requiring the Servicer's non-compliance to be remedied;

provided that where the relevant default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of 30 Business Days of receipt of such notice from the Issuer, the Seller and/or (as the case may be), after the delivery of a Note Acceleration Notice, the Security Trustee, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer, the Seller and/or (as the case may be), after the delivery of a Note Acceleration Notice, the Security Trustee (acting on the instructions of the Note Trustee) may in their absolute discretion specify to remedy such default or to indemnify and/or secure and/or prefund the Issuer and/or the Security Trustee against the consequences of such default;

- an Insolvency Event occurs in relation to the Servicer; or
- the Issuer resolves, after due consideration and acting reasonably (with the consent of the Note Trustee), that the appointment of the Servicer should be terminated.

Upon the termination of the appointment of the Servicer (which is Aldermore in the first instance) as a result of the occurrence of a Servicer Termination Event, and, in the absence of any termination or resignation of the Back-Up Servicer as contemplated below, the Back-Up Servicer will assume the responsibility of servicing the Portfolio, subject to the terms of the Back-Up Servicing Agreement (see below). If at the time the Servicer Termination Event occurs the appointment of the Back-Up Servicer has been terminated under the Back-Up Servicing Agreement or the Back-Up Servicer has resigned, the Back-Up Servicer Facilitator will (pursuant to the Servicing Agreement) promptly use its reasonable endeavours to identify, on behalf of the Issuer (and subject to the approval of the Note Trustee), a suitable replacement servicer and a replacement back-up servicer to replace the Servicer and the Back-Up Servicer respectively (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a suitable replacement servicer).

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the Issuer with a copy to the Rating Agencies (or such shorter time as may be agreed between the Servicer, the Issuer and the Security Trustee) provided that a replacement servicer qualified to act as such under the FSMA and the CCA and with a management team with experience of servicing residential mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement (if such terms are not available in the market, upon such terms as are reasonable taking into account the prevailing market). The resignation of the Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Class A Notes unless the Noteholders agree otherwise by Extraordinary Resolution.

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

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

Insolvency Event means, in relation to the Servicer or Back-Up Servicer (each, a **Relevant Entity** for the purposes of this definition):

- (a) an order is made or an effective resolution passed for the winding up of the Relevant Entity; or

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

Liability of the Servicer

The Servicer will indemnify each of the Issuer and the Security Trustee on demand on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the negligence, fraud or wilful default of the Servicer or any of its sub-contractors or delegates in carrying out its functions as Servicer under, or as a result of a breach by the Servicer of the terms and provisions of the Servicing Agreement or such other Transaction Documents to which the Servicer is a party (in its capacity as such) in relation to such functions.

Replacement of the Collection Account Bank

If the rating of the Collection Account Bank falls below the Collection Account Bank Rating, the Seller (or the Servicer on its behalf) will, within 30 Business Days of such occurrence:

- (a) open a replacement collection account in the name of the Seller with a financial institution (x) having a rating of at least the Collection Account Bank Rating, (y) approved in writing by the Issuer and the Security Trustee and (z) which is a bank as defined in Section 991 of the Income Tax Act 2007; 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 the event a replacement collection account is opened, the Servicer shall procure that (A) all direct debit mandates are transferred to such replacement collection account and (B) all Monthly Payments made by a Borrower under a payment arrangement other than the by way of direct debit are made to such replacement collection account from the date on which the replacement collection account is opened.

Collection Account Bank Rating means a short-term, unsecured, unsubordinated and unguaranteed debt obligation rating of at least A-2 by S&P and a long-term, unsecured, unsubordinated and unguaranteed debt

obligation rating of at least BBB by S&P or a long-term, unsecured, unsubordinated and unguaranteed debt obligation rating of at least BBB+ by S&P (if short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated by S&P or are rated below A-2 by S&P).

Governing Law

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law and will be made by way of deed.

Back-Up Servicing Agreement

On or prior to the Closing Date, the Issuer will enter into the Back-Up Servicing Agreement with, *inter alia*, the Back-Up Servicer and the Security Trustee. The Back-Up Servicing Agreement provides for the Back-Up Servicer to undertake the servicing of the Loans and their Related Security within 60 calendar days from the date of termination of the appointment of the Servicer under the Servicing Agreement, provided that the Back-Up Servicer shall not be obliged to act as servicer before the date falling 90 days after the Closing Date. If the Back-Up Servicer undertakes the role of servicer, it shall act on the terms of the replacement servicing agreement (the **Replacement Servicing Agreement**) which is on substantially the same terms as the Servicing Agreement and is appended to the Back-Up Servicing Agreement and will be deemed to be entered into on the date on which the Back-Up Servicer assumes the role of servicer under the Back-Up Servicing Agreement.

Following the invocation of the Back-Up Servicer under the Back-Up Servicing Agreement, the Issuer with the assistance of the Back-Up Servicer Facilitator shall, as soon as reasonably practicable following such invocation, use reasonable endeavours to identify a replacement back-up servicer with suitable experience and credentials and enter into a further back-up servicing agreement with such entity in such form as the Issuer and the Security Trustee shall reasonably require, subject to, in accordance with and on substantially the same terms as the Back-Up Servicing Agreement.

Removal of the Back-Up Servicer

The Issuer (subject to the prior written consent of the Security Trustee acting on the instructions of the Note Trustee) or (following the delivery of a Note Acceleration Notice) the Security Trustee (acting on the instructions of the Note Trustee) may, upon written notice to the Back-Up Servicer, terminate the Back-Up Servicer's appointment under the Back-Up Servicing Agreement if any of the following events (each a **Back-Up Servicer Termination Event**) occurs and while such event continues:

- the Back-Up Servicer defaults in the performance or observance of any of its covenants and obligations under the Back-Up Servicing Agreement, which default in the reasonable opinion of the Security Trustee (acting on the instructions of the Note Trustee) is materially prejudicial to the interests of the Noteholders, and the Back-Up Servicer does not remedy that failure within 30 Business Days after the earlier of the Back-Up Servicer becoming aware of the default and of receipt by the Back-Up Servicer of written notice from the Issuer, the Seller or, after the delivery of a Note Acceleration Notice, the Security Trustee (acting on the instructions of the Note Trustee) requiring the Back-Up Servicer's non-compliance to be remedied; provided that where the relevant default occurs as a result of a default by any person to whom the Back-Up Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Back-Up Servicer Termination Event if, within such period of 30 Business Days of receipt of such notice from the Issuer, the Seller and/or (as the case may be), after the delivery of a Note Acceleration Notice, the Security Trustee, the Back-Up Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer, the Seller and/or (as the case may be), after the delivery of a Note Acceleration Notice, the Security Trustee (acting on the instructions of the Note Trustee) may in their absolute discretion specify to remedy such default or to indemnify and/or

secure and/or prefund the Issuer and/or the Security Trustee against the consequences of such default;

- an Insolvency Event occurs in relation to the Back-Up Servicer; or
- the Issuer resolves, after due consideration and acting reasonably (with the consent of the Note Trustee), that the appointment of the Back-Up Servicer should be terminated.

If the Back-Up Servicer resigns, if its appointment is terminated or if the Back-Up Servicer is appointed as servicer (and therefore ceases to be Back-Up Servicer), the Issuer with the assistance of the Back-Up Servicer Facilitator shall, as soon as reasonably practicable upon receiving written notice of such resignation, termination or appointment, use reasonable endeavours to appoint a replacement back-up servicer with suitable experience and credentials and enter into a further back-up servicing agreement, such agreement being in accordance with and on substantially the same terms as the Back-Up Servicing Agreement (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a suitable replacement servicer).

Compensation of the Back-Up Servicer

From the period beginning on the date of the Back-Up Servicing Agreement and ending on the day before the Back-Up Servicer Succession Date, the Issuer shall pay to the Back-up Servicer a Back-Up Servicing fee of £30,000 (exclusive of VAT) per annum (subject to adjustment from the second anniversary of the date of the Back-Up Servicing Agreement in accordance with the retail prices index).

Governing Law

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

Deed of Charge

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

Security

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

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any set-off or netting provisions provided therein) (other than the Subscription Agreement, the Trust Deed and the Deed of Charge);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans and the Mortgages and their respective Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;

- (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and any other bank account (including any securities account) and any sums or other collateral standing to the credit thereof; and
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Cash Manager (acting in its sole discretion) on behalf of the Issuer; and
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge.

Authorised Investments means:

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

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

- (i) such investments (A) have a maturity date of 60 days or less and mature before the next following Interest Payment Date or within 60 days, whichever is sooner (and in each case for at least the price paid for the relevant investment), (B) may be broken or demanded by the Issuer (at no cost to the Issuer and for at least the price paid for the relevant investment) before the next following Interest Payment Date or within 60 days, whichever is sooner, and (C) are rated at least P-1 by Moody's (and A2 (long term) by Moody's if the investments have a long-term rating) and A-1 by S&P; or
- (ii) such investments (A) have a maturity date of 90 days or less and mature before the next following Interest Payment Date or within 90 days, whichever is sooner (and in each case for at least the price paid for the relevant investment), (B) may be broken or demanded by the Issuer (at no cost to the Issuer and for at least the price paid for the relevant investment) before the next following Interest Payment Date or within 90 days, whichever is sooner, and (C) are rated at least P-1 by Moody's (and A2 (long term) by Moody's if the investments have a long term rating and A-1+ by S&P).

Transaction Documents means the Servicing Agreement, the Back-Up Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Cash Management Agreement, the Back-Up Cash Management Agreement, the Collection Account Declaration of Trust, the Corporate Services Agreement, the Deed of Charge and any documents entered into pursuant to the Deed of Charge, the Fixed Interest Rate Swap Agreement, the Floating Interest Rate Swap Agreement, the Fixed Interest Rate Swap Guarantee, the Issuer Power of Attorney, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the Seller 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.

Secured Creditors means the Security Trustee, the Note Trustee, the Noteholders, the Seller, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager, the Back-Up Servicer Facilitator, the Fixed Interest Rate Swap Provider, the Floating Interest Rate Swap Provider, any replacement interest rate swap provider, the Account Bank, the Swap Collateral Account Bank, the Corporate Services Provider, the Paying Agents, the Class Z VFN Registrar, the Agent Bank and any other person who is expressed in the Deed of Charge or any deed supplemental to the Deed of Charge to be a secured creditor.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically following the occurrence of specific events set out in the Deed of Charge, including, among

other events, when an Event of Default occurs. 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-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Transaction Account as described in "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer*" and "*Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" below.

Post-Acceleration Priority of Payments

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either:

- (a) the Cash Manager certifies to the Security Trustee that a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority of payment below) or once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto) which certificate shall be binding on the Secured Creditors; or
- (b) the Security Trustee is of the opinion which 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) that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and all persons ranking in priority to the Class A Noteholders as set out in the order of priority below or, once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto).

The Security Trustee shall not be bound to make the determination contained herein unless the Security Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

Governing Law

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Trust Deed

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions in the Trust Deed. The Conditions and the forms of the Notes are constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes on trust for the Noteholders.

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

Retirement of Note Trustee

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The Class A Noteholders may by Extraordinary Resolution remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement of the Note Trustee shall not become effective unless there remains a trustee (being a trust corporation) in office after such retirement or being removed by Extraordinary Resolution of the Class A Noteholders. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement or Extraordinary Resolution of the Class A Noteholders the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed but no such appointment shall take effect unless previously approved by Extraordinary Resolution of the Class A Noteholders.

Governing Law

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

Agency Agreement

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

Governing Law

The Agency Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer, and the Security Trustee will enter into the Cash Management Agreement.

Cash Management Services to be provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Transaction Account and the Swap Collateral Account. In addition, the Cash Manager will or in respect of paragraphs (o) and (p) below, may, at its option, *inter alia*:

- (a) provide the Issuer, the Note Trustee, the Seller, the Paying Agent, the Fixed Interest Rate Swap Provider, the Floating Interest Rate Swap Provider and the Rating Agencies with the Investor Report setting out certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the Aldermore website at www.aldermore.co.uk (the website and the contents thereof do not form part of this Prospectus);
- (b) apply, or cause to be applied, Available Revenue Receipts, in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;
- (c) if required by the Security Trustee, apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Acceleration Priority of Payments;
- (d) make payments of the consideration for an Additional Borrowing to the Seller;
- (e) make a drawing under the Class Z VFN as required, including, without limitation, any drawing required to fund the Additional Borrowing Purchase Price;
- (f) make any determinations required to be made by the Issuer under the Interest Rate Swap Agreements;
- (g) credit all swap collateral transferred by the Fixed Interest Rate Swap Provider if required pursuant to the Fixed Interest Rate Swap Agreement to the Swap Collateral Account;
- (h) make any determinations and calculations in respect of any Reconciliation Amount, if necessary;
- (i) on behalf of the Issuer, perform any Portfolio Reconciliation Risk Mitigation Techniques as may be required in accordance with the requirements of article 11(1) of EMIR;
- (j) on behalf of the Issuer, carry out the reporting requirements set out in article 9 of EMIR in relation to any swap entered into by the Issuer and any ancillary activities to such reporting requirements (in relation to which, the Issuer hereby permits the Cash Manager to delegate all or any part of any such reporting requirements to the counterparty to such swap transaction);
- (k) on behalf of the Issuer, perform any Dispute Resolution Risk Mitigation Techniques as may be required in accordance with the requirements of article 11(1) of EMIR and the terms of the relevant swap transaction;
- (l) on behalf of the Issuer, monitor whether the Issuer is a non-financial counterparty and whether the Issuer is subject to a clearing obligation pursuant to EMIR in respect of any swap transaction and make any notifications that are required to be made if the Issuer is no longer a non-financial counterparty or becomes subject to a clearing obligation under EMIR (including in each case

notifying the Fixed Interest Rate Provider to the extent that the status of the Issuer has changed from the status previously disclosed to the Fixed Interest Rate Swap Provider);

- (m) 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 order to pay the Additional Borrowing Purchase Price and in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (ii) the **Revenue Ledger**, which will record all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (iii) the **General Reserve Ledger** which will record (i) as a credit, all amounts credited to the general reserve fund (the **General Reserve Fund**) from the proceeds of the Class Z VFN Holder's funding of the Class Z VFN and thereafter from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and (ii) as a debit, withdrawals from the General Reserve Ledger on each Interest Payment Date (see "*Credit Structure — General Reserve Fund and General Reserve Fund Ledger*" below);
 - (iv) the **Principal Deficiency Ledgers** which will record on the appropriate sub-ledger (i) as a debit, deficiencies arising from Losses on the Portfolio (ii) as a debit, Principal Receipts used to pay a Revenue Deficiency and (iii), as a credit, Available Revenue Receipts applied pursuant to items (g) and (j) of the Pre-Acceleration Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon be applied as Available Principal Receipts) (see "*Credit Structure — Principal Deficiency Ledger*" below); and
 - (v) the **Issuer Profit Ledger** which shall record as a credit the Issuer Profit Amount retained by the Issuer as profit in accordance with the relevant Priority of Payments;
- (n) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts (as at the end of the immediately preceding Collection Period) to be applied on the relevant Interest Payment Date;
- (o) invest monies standing to the credit of a Bank Account in time deposits provided that such time deposits mature at least one Business Day before the next Interest Payment Date; and
- (p) invest monies standing from time to time to the credit of the Transaction Account in Authorised Investments as determined by the Issuer or by the Cash Manager subject to the following provisions:
- (i) any such Authorised Investment shall be made in the name of the Issuer;
 - (ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and
 - (iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the Transaction Account; and
 - (iv) such Authorised Investments mature at least one Business Day before the next Interest Payment Date.

Dispute Resolution Risk Mitigation Techniques means the dispute resolution risk mitigation techniques for OTC derivative transactions set out in Article 11(1)(b) of EMIR as supplemented by Article 15 of Chapter

VIII of the Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 and published on 23 February 2013 in the Official Journal of the European Union.

Issuer Profit Amount means an amount equal to £300 as at each Interest Payment Date (£1,200 per annum).

Portfolio Reconciliation Risk Mitigation Techniques means the portfolio reconciliation risk mitigation techniques for OTC derivative transactions set out in Article 11(1)(b) of EMIR as supplemented by Article 13 of Chapter VIII of the Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 and published on 23 February 2013 in the Official Journal of the European Union.

Investor Reports

Under the Cash Management Agreement, with the assistance of the Servicer, the Cash Manager will agree, to prepare and deliver by no later than the 16th Business Day of August 2014 (in relation to the first Investor Report only) and thereafter, by no later than the 16th Business Day of each month, the Investor Report addressed to the Issuer, the Note Trustee, the Seller, the Paying Agent, the Fixed Interest Rate Swap Provider, the Floating Interest Rate Swap Provider, the Class A Noteholders and the Rating Agencies setting out the payments into and out of each of the Bank Accounts and payments to other third parties.

The Investor Report will be posted on the following website: www.aldermore.co.uk and the posting of the Investor Report on such website will constitute the delivery of such Investor Report. The website and the contents thereof do not form part of this Prospectus.

Remuneration of Cash Manager

The Cash Manager will be paid a fee (inclusive of VAT, if any) for its cash management services under the Cash Management Agreement quarterly in arrear on each Interest Payment Date. So long as Aldermore is the Cash Manager, the Issuer will pay to the Cash Manager a cash management fee (inclusive of VAT, if any) of 0.01 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date. The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments. If a replacement cash manager is appointed, the Issuer shall pay the replacement cash manager for its services a fee to be determined at the time of such appointment.

Termination of Appointment and Replacement of Cash Manager

In certain circumstances the Issuer and the Security Trustee will each have the right to terminate the appointment of the Cash Manager and upon termination, the Back-Up Cash Manager shall (if possible) assume the duties of the Cash Manager subject to the terms of the Back-Up Cash Management Agreement (see below). Where either (i) there is no Back-Up Cash Manager in place or (ii) where the Back-Up Cash Manager cannot assume the role of Cash Manager pursuant to the terms of the Back-Up Cash Management Agreement, the Issuer shall use reasonable endeavours to appoint a replacement cash manager (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a suitable replacement cash manager). In certain limited circumstances, a default by the Cash Manager in the provision of (i) the Investor Report or (ii) certain information required by the Principal Paying Agent in respect of making payments on the Class A Notes may be remedied by the Cash Manager or the Back-Up Cash Manager within the next 2 Business Days. If such a default is so remedied, the Cash Manager will not, at such time, be replaced by the Back-Up Cash Manager for such breach.

Subject to the fulfilment of a number of conditions, the Cash Manager may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the Issuer with a copy to the Rating Agencies

(or such shorter time as may be agreed between the Cash Manager, the Issuer and the Security Trustee) provided that either (i) the Back-Up Cash Manager assumes its obligations as set out in, and subject to, the terms of the Back-Up Cash Management Agreement or (ii) a different replacement cash manager with requisite experience has been appointed and enters into a cash management agreement with the Issuer substantially on the same terms as the Cash Management Agreement (or if such terms are not available in the market, upon such terms as are reasonable taking into account the prevailing market), such appointment to be effective not later than the date of termination. The resignation of the Cash Manager is conditional on the resignation having no adverse effect on the then current ratings of the Class A Notes unless the Noteholders agree otherwise by Extraordinary Resolution.

Continuing Obligations of the Cash Manager

Aldermore will remain responsible for certain Cash Management services notwithstanding the termination, resignation or replacement of the Cash Manager. In particular, Aldermore shall remain liable for Dispute Resolution Risk Mitigation Techniques and Portfolio Reconciliation Risk Mitigation Techniques as set out in paragraphs (i), (j), (k) and (l) of the section headed "*Cash Management Services to be provided to the Issuer*" above.

Liability of the Cash Manager

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the negligence, fraud or wilful default of the Cash Manager in carrying out its functions as Cash Manager under, or as a result of a breach by the Cash Manager of, the terms and provisions of the Cash Management Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such) in relation to such functions.

Governing Law

The Cash Management Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Back-Up Cash Management Agreement

On or prior to the Closing Date, the Issuer will enter into the Back-Up Cash Management Agreement with, inter alia, the Back-Up Cash Manager and the Security Trustee. The Back-Up Cash Management Agreement provides (subject to the continuing obligations of Aldermore as Cash Manager described above) for the Back-Up Cash Manager to undertake the role of cash manager within 2 calendar days from the date of termination of the appointment of the Cash Manager under the Cash Management Agreement.

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

Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement entered into on the Closing Date between the Issuer, the Account Bank, the Cash Manager and the Security Trustee, the Issuer will maintain with the Account Bank a bank account providing an overnight rate of interest from time to time on amounts standing to the credit thereof (the **Transaction Account**), which will be operated in accordance with the Cash Management Agreement and the Deed of Charge.

All amounts received from Borrowers in respect of Loans in the Portfolio will be paid into the Transaction Account from the Seller's Collection Account(s) and credited to the Revenue Ledger or the Principal Ledger, as the case may be, and as set out in the Cash Management Agreement. On each Interest Payment Date,

monies from the Transaction Account will be applied by the Cash Manager pursuant to the Cash Management Agreement and in accordance with the Priorities of Payments described below under "Cashflows".

The Bank Account Agreement provides that:

- (a) the charges of the Account Bank for the operation of the Transaction Account held with the Account Bank shall be payable by the Issuer and debited from the Transaction Account in accordance with the Account Bank's standard procedures or at any other time as shall be agreed with the Account Bank. The charges shall be payable at the same rates as are generally applicable to customers of the Account Bank similar to the Issuer *provided that* if there are insufficient funds standing to the credit of the Transaction Account to pay such charges, the Account Bank shall not be relieved of its obligations under the Bank Account Agreement in respect of the Transaction Account held with the Account Bank;
- (b) the fees and charges of the Account Bank (other than those charges referred to in (a) above, shall be paid by the Issuer subject to and in accordance with the Priority of Payments; and
- (c) with the prior written consent of the Security Trustee, the Issuer may open additional Bank Accounts.

If at any time the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below the Account Bank Rating, the Issuer will be required (within 30 days) to arrange for the transfer (at its own cost) of the Bank Accounts to an appropriately rated bank or financial institution on terms substantially similar to those set out in the Bank Account Agreement in order to maintain the ratings of the Class A Notes at their then current ratings, or, where taking into account the then prevailing market conditions, the Issuer or the Cash Manager determines it is not practical to agree terms substantially the same as those set out in the Bank Account Agreement, the Issuer or the Cash Manager certifies in writing to the Note Trustee and the Security Trustee, upon which certificate the Note Trustee and the Security Trustee shall be entitled to rely absolutely and without any liability to any person for so doing, that such terms are reasonable commercial terms taking into account the then prevailing current market conditions, a replacement agreement may be entered into on such reasonable commercial terms (although the fee payable to the replacement cash manager may be higher).

The Bank Account Agreement may be terminated in other circumstances by the Cash Manager, the Account Bank, the Issuer (in each case with the consent of the Security Trustee) or (following the delivery of a Note Acceleration Notice) the Security Trustee, including the occurrence of an insolvency event in respect of the Account Bank or default by the Account Bank in the performance of its obligations under the Bank Account Agreement which continues unremedied for a period of 20 Business Days after receiving notice or becoming aware of such default.

Account Bank Rating means a short-term unsecured, unsubordinated and unguaranteed debt rating of at least P-1 by Moody's and a short-term unsecured, unsubordinated and unguaranteed debt rating of at least at least A-1 by S&P (if a short-term rating is assigned by S&P) and a long-term unsecured, unsubordinated and unguaranteed rating of at least A by S&P or a long-term, unsecured, unsubordinated and unguaranteed debt rating of at least A+ by S&P (if the short-term unsecured, unsubordinated and unguaranteed debt obligations are not rated by S&P or are rated below A-1 by S&P (or in each case such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes).

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 and, among others, the Corporate Services Provider will enter into the Corporate Services Agreement pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), the providing of the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

Governing Law

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

The Collection Account Declaration of Trust

On or prior to the Closing Date, the Issuer, the Seller and the Security Trustee will enter into a declaration of trust in respect of the Collection Account (the **Collection Account Declaration of Trust**) pursuant to which the Seller will declare a trust (the **Collection Account Trust**) in favour of (a) the Issuer and (b) itself over all its rights, title, interest and benefit, present and future in the Collection Accounts, including all amounts standing to the credit of the Collection Accounts, absolutely for the Issuer and the Seller as beneficiaries in the manner and in the proportions specified in the Collection Account Declaration of Trust.

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

The Seller's share of the Collection Account Trust at any relevant time shall equal the amount standing to the credit of the Collection Account less the Issuer Trust Share.

Collection Accounts means the general collection accounts held by the Seller at the Collection Account Bank (including any account of the Seller to which amounts relating to the Portfolio are deposited by the Seller prior to such amounts being transferred to the Transaction Account) and over which the Seller will declare a trust pursuant to the Collection Account Declaration of Trust.

Governing Law

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

Interest Rate Swap Agreements

For a description of the Interest Rate Swap Agreements 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 Seller, the Fixed Interest Rate Swap Provider, the Floating Interest Rate Swap Provider, the Arranger, the Joint Lead Managers, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager, the Back-Up Servicer Facilitator, the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, any other paying Agent, the Agent Bank, the Class Z VFN Registrar, the Note Trustee, the Security Trustee, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Fixed Interest Rate Swap Provider, the Floating Interest Rate Swap Provider, the Arranger, the Joint Lead Managers, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager, the Back-Up Servicer Facilitator, the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, any other Paying Agents, the Agent Bank, the Class Z VFN Registrar, the Note Trustee, the Security Trustee or by any other person other than the Issuer.

The structure of the credit support arrangements may be summarised as follows:

1. Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (o) (inclusive) of the Pre-Acceleration Revenue Priority of Payments. The actual amount of any Deferred Consideration payable under item (p) of the Pre-Acceleration Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see "*Interest Rate Risk for the Notes*" below) and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met under items (a) to (g) (inclusive) of the Pre-Acceleration Revenue Priority of Payments, such excess is available to replenish and increase the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.

2. General Reserve Fund and General Reserve Ledger

On the Closing Date, the Issuer will establish a fund called the **General Reserve Fund** to provide credit enhancement for the Class A Notes which will be credited on the Closing Date with an amount equal to 2.75% of the aggregate Current Balance of the Portfolio as of the Cut-Off Date. The General Reserve Fund will be funded from the proceeds of the Class Z VFN Holder's funding of the Class Z VFN on the Closing Date and following the Closing Date, to the extent required in connection with Additional Borrowings or Product Transfers from time to time. The General Reserve Fund will be deposited in the Transaction Account (with a corresponding credit being made to the General Reserve Ledger). The Cash Manager (acting in its sole discretion) may, on behalf of the Issuer, invest amounts standing to the credit of the Transaction Account in Authorised Investments. For more information about the application of the amounts

standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies Released from the General Reserve Fund*" below.

The Cash Manager will maintain the General Reserve Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund.

After the Closing Date, the General Reserve Fund will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments, on every Interest Payment Date, up to the General Reserve Required Amount.

The **General Reserve Required Amount** will be an amount equal to £10,868,480.50 (being an amount at least equal to 3.00 per cent. of the Current Balance of the Portfolio as at the Cut-Off Date). On any Interest Payment Date on which the Class A Notes are fully repaid, the General Reserve Required Amount will be reduced to zero.

On any Interest Payment Date on which the Class A Notes are fully repaid, the Issuer will not be required to maintain the General Reserve Fund and any amounts held in the General Reserve Fund will form part of Available Revenue Receipts and will be applied in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments, as applicable.

3. Use of Principal Receipts to pay Revenue Deficiency

On each Calculation Date, the Cash Manager will calculate whether the aggregate of items (a) to (h) less (i) of the Available Revenue Receipts is insufficient to pay items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments. If there is a deficit (the **Revenue Deficiency**), then the Issuer (or the Cash Manager on its behalf) shall pay or provide for that Revenue Deficiency by the application of amounts standing to the credit of the Principal Ledger, if any, and the Cash Manager shall make a corresponding entry in the relevant Principal Deficiency Ledger, as described in "*Principal Deficiency Ledgers*" below as well as making a debit in the Principal Ledger. Any such entry and debit shall be made and taken into account prior to the application of Available Principal Receipts on the relevant Interest Payment Date. For more information about the application of Principal Receipts to pay a Revenue Deficiency, see the section "*Cashflows – Applications of Principal Receipts to Revenue Deficiency*".

4. Principal Deficiency Ledgers

A Principal Deficiency Ledger, comprising two sub ledgers, known as the Class A Principal Deficiency Ledger (relating to the Class A Notes) (the **Class A Principal Deficiency Sub-Ledger**) and the Class Z VFN Principal Deficiency Ledger (the **Class Z VFN Principal Deficiency Sub-Ledger**, each a **Principal Deficiency Sub-Ledger** and, together, the **Principal Deficiency Sub-Ledgers**), will be established on the Closing Date in order to record any Losses on the Portfolio as allocated against each of the Classes of Notes referenced above and/or application of Principal Receipts to pay any Revenue Deficiency on an Interest Payment Date to fund senior expenses and interest payments on the Class A Notes. Losses or debits recorded on the Class A Principal Deficiency Sub-Ledger shall be recorded in respect of the Class A Notes. Losses or debits recorded on the Class Z VFN Principal Deficiency Sub-Ledger shall be recorded in respect of the Class Z VFN. Losses of principal to be credited to the Principal Deficiency Ledger will be calculated after applying any recoveries to outstanding interest amounts due and payable on the relevant Loan.

The application of any Principal Receipts to meet any Losses on the Portfolio will be recorded as a debit:

- (a) first, to the Class Z VFN Principal Deficiency Sub-Ledger up to a maximum of the Class Z VFN Principal Deficiency Limit; and
- (b) second, to the Class A Principal Deficiency Sub-Ledger.

Losses means all realised losses in respect of a Loan.

Realised losses will be calculated after applying any recoveries following enforcement of a Loan (but on or prior to the completion of enforcement proceedings in respect of such Loan) to outstanding fees and interest amounts due and payable on the relevant Loan.

Class Z VFN Principal Deficiency Limit means the Principal Amount Outstanding of the subscription under the Class Z VFN used to fund the Current Balance (including any amount funded to cover a shortfall in amounts available to the Issuer to fund the purchase of any Additional Borrowing) (calculated as at such corresponding funding date) of the Loans.

Amounts allocated to each Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments. Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

5. Available Receipts

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the Pre-Acceleration Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments, as applicable. It is not intended that any surplus will be accumulated in the Issuer although this does not include the Issuer Profit Amount which the Issuer expects to generate each accounting period as its profit in respect of the business of the Issuer or amounts standing to the credit of the General Reserve Ledger.

If, on any Interest Payment Date whilst there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest otherwise due on the Class Z VFN then the Issuer will be entitled under Condition 16 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. Such deferral will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class Z VFN. From and including the Step-Up Date, any Available Revenue Receipts remaining on any Interest Payment Date after any required credit has been made to the General Reserve Ledger will be diverted to Available Principal Receipts in order to repay principal amounts on the Class A Notes.

Failure to pay interest on the Class A Notes (or the Class Z VFN after the Class A Notes have been redeemed in full) 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.

6. Transaction Account

Pursuant to the Bank Account Agreement, the Account Bank will pay interest on amounts (if any) standing to the credit of the Transaction Account on and from the Closing Date at an unguaranteed overnight rate. The Cash Manager may (in its absolute discretion), on behalf of the Issuer, invest amounts standing to the credit of the Transaction Account in Authorised Investments.

If, at any time the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below the Account Bank Rating, the Issuer will be required (within 30 days) to transfer (at its own cost) the Transaction Account to an appropriately rated bank or financial institution on terms substantially similar to those set out in the Bank Account Agreement (or, where the Issuer or the Cash Manager determines that it is not practicable, taking into account the then prevailing market conditions, to agree terms substantially similar to those set out in the Bank Account Agreement with such replacement

financial institution, on terms which are reasonable commercial terms provided that either the Issuer or the Cash Manager shall have certified in writing to the Security Trustee that, to the extent the terms are not substantially similar, such terms are reasonable commercial terms taking into account the then prevailing current market conditions), in order to maintain the ratings of the Notes at their then current ratings.

7. Interest Rate Risk for the Notes

Some of the Loans in the Portfolio pay a fixed rate of interest for a period of time. Other Loans in the Portfolio pay a variable rate of interest. However, the interest rate payable by the Issuer with respect to the Notes is an amount calculated by reference to Three-Month Sterling LIBOR.

To provide a hedge against the possible variance between:

- (a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and
- (b) a rate of interest calculated by reference to Three-Month Sterling LIBOR payable on the Notes,

the Issuer will enter into the Fixed Interest Rate Swap with the Fixed Interest Rate Swap Provider on the Closing Date.

To provide a hedge against the possible variance between:

- (a) the variable rates of interest payable on the AMR Loans in the Portfolio; and
- (b) a rate of interest calculated by reference to Three-Month Sterling LIBOR payable on the Notes,

the Issuer will enter into the Floating Interest Rate Swap with the Floating Interest Rate Swap Provider on the Closing Date.

The Fixed Interest Rate Swap will be governed by the Fixed Interest Rate Swap Agreement. The Floating Interest Rate Swap will be governed by the Floating Interest Rate Swap Agreement.

8. Fixed Interest Rate Swap

Payments received by the Issuer under certain of the Loans in the Portfolio will be subject to fixed rates of interest. The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to Three-Month Sterling LIBOR. Pursuant to the Fixed Interest Rate Swap Agreement the Issuer will enter into the Fixed Interest Rate Swap to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and Three-Month Sterling LIBOR (the **Fixed Interest Rate Swap**). The rate payable by the Issuer under the Fixed Interest Rate Swap is not intended to be an exact match of the interest rates that the Issuer receives in respect of the Fixed Rate Loans in the Portfolio.

Under the Fixed Interest Rate Swap, for each Interest Period falling prior to the termination date of the Fixed Interest Rate Swap, the following amounts will be calculated:

- (a) the amount equal to the product of (i) the Fixed Rate Notional Amount for the relevant Interest Period; (ii) three month Sterling LIBOR determined in accordance with the Fixed Interest Rate Swap Agreement; and (iii) the relevant day count fraction (the **Fixed Interest Rate Swap Provider Amount**); and
- (b) the amount equal to the product of (i) 1.14 per cent. per annum and (ii) the Fixed Rate Notional Amount for the relevant Interest Period and (iii) the relevant day count fraction (the **Fixed Interest Rate Issuer Amount**).

The notional amount (the **Fixed Rate Notional Amount**) of the Fixed Interest Rate Swap is an amount in Sterling equal to the aggregate closing Current Balance of the Fixed Rate Loans in the Portfolio on the last calendar day of each of January, April, July and October (commencing on the last calendar day of July 2014 and ending on the Termination Date) immediately preceding the first day of the Interest Period (each a **Quarter Date**), subject to a cap as set out in the Fixed Interest Rate Swap Agreement. The Fixed Rate Notional Amount therefore provides flexibility for Additional Borrowings and Product Transfers up to the level of the cap.

After these two amounts are calculated in relation to an Interest Period, the following payments will be made on the relevant Interest Payment Date:

- (a) if the Fixed Interest Rate Swap Provider Amount for that Interest Payment Date is greater than the Fixed Interest Rate Issuer Amount for that Interest Payment Date, then the Fixed Interest Rate Swap Provider will pay the positive difference to the Issuer;
- (b) if the Fixed Interest Rate Issuer Amount for that Interest Payment Date is greater than the Fixed Interest Rate Swap Provider Amount for that Interest Payment Date, then the Issuer will pay the positive difference to the Fixed Interest Rate Swap Provider; and
- (c) if the two amounts are equal, neither party will make a payment to the other.

If a payment is to be made by the Fixed Interest Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

Subject to the circumstances described below, unless an Early Termination Event (as defined below), occurs, the Fixed Interest Rate Swap will terminate on the earlier of (i) the date on which the Class A Notes are redeemed in full on their Final Maturity Date or in accordance with Condition 7.2 (*Mandatory Redemption*); and (ii) the date on which the aggregate of the Current Balances of the Fixed Rate Loans is reduced to zero following either (a) the Step-Up Date or (b) the early termination of the Back-to-Back Swap.

Back-to-Back Swap means an agreement between the Fixed Interest Rate Swap Provider and Aldermore under which the Fixed Interest Rate Swap Provider hedges its exposure under the Fixed Interest Rate Swap.

9. Floating Interest Rate Swap

Payments received by the Issuer under the AMR Loans in the Portfolio will be subject to the Seller's discretionary standard variable rates of interest. The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to Three-Month Sterling LIBOR. Pursuant to the Floating Interest Rate Swap Agreement the Issuer will enter into a swap to hedge against the possible variance between the discretionary variable rates of interest received on the AMR Loans in the Portfolio and Three-Month Sterling LIBOR (the **Floating Interest Rate Swap**). The rate payable by the Issuer under the Floating Interest Rate Swap is not intended to be an exact match of the interest rates that the Issuer receives in respect of the AMR Loans in the Portfolio.

Under the Floating Interest Rate Swap, for each Interest Period the following amounts will be calculated:

- (a) an amount equal to the product of (i) the weighted average rate of the rates of interest payable by each of the relevant Borrowers in respect of the AMR Loans (including any applicable discount or premium on such AMR Loans) as determined as at the close of the last calendar day of January, April, July and October immediately preceding the first day of the Interest Period (ii) the Floating Rate

Notional Amount for the relevant Interest Period; and (iii) the relevant day count fraction (the **Floating Interest Rate Issuer Amount**); and

- (b) an amount equal to the product of (i) the Floating Rate Notional Amount for the relevant Interest Period; (ii) three month Sterling LIBOR determined in accordance with the Floating Interest Rate Swap Agreement plus 2.00%; and (iii) the relevant day count fraction (the **Floating Interest Rate Swap Provider Amount**).

After these amounts are calculated in relation to an Interest Payment Date, the following payments will be made on that Interest Payment Date:

- (a) if the Floating Interest Rate Swap Provider Amount for that Interest Payment Date is greater than the Floating Interest Rate Issuer Amount for that Interest Payment Date, then the Floating Interest Rate Swap Provider will pay the difference to the Issuer; and
- (b) if the Floating Interest Rate Issuer Amount for that Interest Payment Date is greater than the Floating Interest Rate Swap Provider Amount for that Interest Payment Date, then the Issuer will pay the difference to the Floating Interest Rate Swap Provider; and
- (c) if the two amounts are equal, neither party will make a payment to the other.

If a payment is to be made by the Floating Interest Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

For the purposes of calculating both the Floating Interest Rate Issuer Amount and Floating Interest Rate Swap Provider Amount, **Floating Rate Notional Amount** means, an amount in Sterling equal to the aggregate closing Current Balance of the AMR Loans in the Portfolio on the last calendar day of each of January, April, July and October (commencing on the last calendar day of July 2014 and ending on the Termination Date) immediately preceding the first day of the Interest Period (each a **Quarter Date**).

Unless an Early Termination Event (as defined below) occurs, the Floating Interest Rate Swap will terminate on the earliest of (i) the date on which the Class A Notes are redeemed in full on their Final Maturity Date or (ii) in accordance with Condition 7.2 of the Notes (*Mandatory Redemption*).

10. Interest Rate Swap Agreements

The terms of the Fixed Interest Rate Swap Agreement includes certain ratings triggers and consequences if such triggers are breached. See the Ratings Triggers Table in respect of these triggers.

The Interest Rate Swap Agreements may be terminated in certain circumstances, including the following, each as more specifically defined in the relevant Interest Rate Swap Agreement (an **Early Termination Event**):

- (a) if there is a failure by a party to pay amounts due under an Interest Rate Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if a breach of a provision of the Interest Rate Swap Agreement by an Interest Rate Swap Provider is not remedied within the applicable grace period;

- (d) if a change of law results in the obligations of one of the parties becoming illegal or a force majeure event occurs;
- (e) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Interest Rate Swap due to change in law;
- (f) in relation to the Fixed Interest Rate Swap only, if neither of the Fixed Interest Rate Swap Provider and the Fixed Interest Rate Swap Guarantor have the Required Rating, and the Fixed Interest Rate Swap Provider fails to comply with the requirements of the collateral and replacement provisions contained in the Fixed Interest Rate Swap Agreement and described in the Ratings Triggers Table;
- (g) the earlier to occur of (i) an acceleration in respect of the Notes and (ii) service by the Note Trustee of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes;
- (h) if there is a redemption of the Notes pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*);
- (i) if the Transaction Documents or the Conditions of the Notes are amended with the effect of affecting the amount, timing or priority of any payments or deliveries due from the Issuer to an Interest Rate Swap Provider or from an Interest Rate Swap Provider to the Issuer (other than with the prior written consent of that Interest Rate Swap Provider); and
- (j) if the Issuer becomes subject to the clearing obligation or margin requirements under EMIR in respect of an Interest Rate Swap.

Upon termination following an Early Termination Event of the relevant Interest Rate Swap, depending on the circumstances prevailing at the time of termination including prevailing market interest rates, the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment, other than on early termination due to a default by the Issuer or a termination event where the Issuer is the sole affected party as such term is defined in the Interest Rate Swap Agreement, will be based on the market value of the terminated swaps as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if (i) a quotation (or in certain circumstances under the Fixed Interest Rate Swap Agreement and generally under the Floating Interest Rate Swap Agreement a sufficient number of quotations) cannot be obtained or (ii) in certain circumstances if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination, taking account the value of any collateral transferred by the Interest Rate Swap Provider to the Issuer.

Depending on the terms of the Interest Rate Swap and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

Each Interest Rate Swap Provider may, subject to certain conditions specified in the relevant Interest Rate Swap Agreement including in the case of the Fixed Interest Rate Swap Provider (without limitation) the satisfaction of certain requirements of the Rating Agencies and, unless in the case of the Fixed Interest Rate Swap Provider the transfer is for the purpose of compliance with certain requirements of the Rating Agencies, prior written consent of the Issuer, transfer its obligations under the relevant Interest Rate Swap

Agreement to another entity (which in the case of the Fixed Interest Rate Swap Provider has the ratings specified in the Fixed Interest Rate Swap Agreement).

The Issuer is not obliged under the Interest Rate Swap Agreements to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under the Interest Rate Swaps. However, if an Interest Rate Swap Provider is required to receive a payment subject to withholding under an Interest Rate Swap due to a change in law, an Interest Rate Swap Provider may terminate the relevant Interest Rate Swap.

Each Interest Rate 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 relevant Interest Rate Swap. However, if an Interest Rate Swap Provider is required to gross up a payment under the relevant Interest Rate Swap due to a change in the law, the relevant Interest Rate Swap Provider may terminate the relevant Interest Rate Swap.

The Interest Rate Swap Agreements are 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 Loans (including Early Repayment Charges and any Arrears of Interest) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced and (c) recoveries of any amounts (including any interest and principal amounts) from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed if such recoveries are identifiable by the Seller as pertaining to a Loan in the Portfolio.

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 received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Bank Accounts (other than the Swap Collateral Account) and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Interest Rate Swap Agreements (other than (i) any early termination amount received by the Issuer under an Interest Rate Swap Agreement which is to be applied in acquiring a replacement swap, (ii) in respect of the Fixed Interest Rate Swap Agreement, any Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral or part thereof has been applied, pursuant to the provisions of the Fixed Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Interest Rate Swap Provider to the Issuer on early termination of an Interest Rate Swap under the Fixed Interest Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Fixed Interest Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap in which case such amounts will be included in Available Revenue Receipts, (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the relevant Interest Rate Swap Provider and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date);
- (d) the amounts standing to the credit of the General Reserve Ledger as at the last day of the immediately preceding Collection Period;
- (e) other net income of the Issuer received during the immediately preceding Collection Period, (excluding any Principal Receipts);
- (f) amounts applied as Available Revenue Receipts in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments);
- (g) amounts credited to the Transaction Account (including any interest thereon (if any)) on the immediately preceding Interest Payment Date in accordance with item (n) of the Pre-Acceleration Revenue Priority of Payments;
- (h) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);

less:

- (i) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - (i) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account, including any amounts required to satisfy any of the obligations and/or liabilities properly incurred by the Account Bank under the direct debit scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals), but in each case only to the extent that such amounts (i) cannot be recouped by the Account Bank from amounts standing to the credit of the Seller's Collection Accounts from time to time and (ii) have been determined by the Cash Manager to be referable to a Loan in the Portfolio;
 - (iii) payments by the Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; and
 - (iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

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

plus

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

Application of Monies Released from the General Reserve Fund

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger as at the end of the immediately preceding Collection Period will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Principal Receipts to pay Revenue Deficiency

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger as at the end of the immediately preceding Collection Period may be applied on each Interest Payment Date to make payments to items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments in an amount equal to the Revenue Deficiency on such Interest Payment Date.

If any amounts are applied from the Principal Ledger to pay or provide for a Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the relevant Principal Deficiency Ledger.

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Monies following redemption of the Notes in full

On any Optional Redemption Date on which the Notes are fully repaid, the Issuer (or the Cash Manager on its behalf) may, or if directed by the Seller, shall, apply all amounts standing to the credit of any Bank Account of the Issuer (other than amounts standing to the credit of the Issuer Profit Ledger) to repay any liabilities of the Issuer and to discharge all other amounts required to be paid by the Issuer in accordance with the order of priority set out in the Post-Acceleration Priority of Payments.

Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer

On each relevant Interest Payment Date prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply or provide for the application of the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full (the **Pre-Acceleration Revenue Priority of Payments**)):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax (**VAT**) thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank and the Paying Agents and any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein; and
 - (iii) any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Swap Collateral Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein,
 - (iv) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate

Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and

- (v) any amounts then due and payable to the Class Z VFN Registrar and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Class Z VFN Registrar in the immediately succeeding Interest Period under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein,
- (c) *third*, in or towards satisfaction of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (l) below);
- (d) *fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;
 - (iii) any amounts then due and payable to the Back-Up Servicer and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer under the provisions of the Back-Up Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Back-Up Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Back-Up Cash Manager under the provisions of the Back-Up Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and
 - (v) any amounts then due and payable to the Back-Up Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement together with (if payable) VAT thereon as provided therein;
- (e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due to the Interest Rate Swap Providers (excluding Interest Rate Swap Excluded Termination Amounts) in respect of the Interest Rate Swap Agreements including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the relevant Interest Rate Swap Provider of any Replacement Swap Premium or amounts standing to the credit of any Swap Collateral Account but excluding, if applicable, any related Interest Rate Swap Excluded Termination Amount;

- (f) *sixth*, to provide for amounts due on the relevant Interest Payment Date, to pay interest due and payable on the Class A Notes according to the respective Principal Amount Outstanding thereof;
- (g) *seventh*, to credit (so long as any Class A Notes will remain outstanding following such Interest Payment Date) the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (any such amounts to be applied in repayment of principal as Available Principal Receipts);
- (h) *eighth*, provided such Interest Payment Date is not the final interest payment date of the transaction, to credit the General Reserve Ledger up to the General Reserve Required Amount;
- (i) *ninth*, from and including the Step-Up Date, (a) to pay the Issuer Profit Amount to be retained by the Issuer as profit in respect of the business of the Issuer; and then (b) all remaining Available Revenue Receipts to be applied as Available Principal Receipts until the Class A Notes have been redeemed in full;
- (j) *tenth*, (so long as the Notes will remain outstanding following such Interest Payment Date), to credit the Class Z VFN Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (any such amounts to be applied in repayment of principal as Available Principal Receipts);
- (k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date to pay interest (including any Deferred Interest) due and payable on the Class Z VFN according to the respective Principal Amount Outstanding thereof;
- (l) *twelfth*, from and including the Closing Date, up to and excluding the Step-Up Date, to pay the Issuer the Issuer Profit Amount to be retained by the Issuer as profit in respect of the business of the Issuer;
- (m) *thirteenth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Interest Rate Swap Agreements to the relevant Interest Rate Swap Provider in respect of the Interest Rate Swap Excluded Termination Amount;
- (n) *fourteenth*, (so long as any Class A Notes will remain outstanding following such Interest Payment Date), if such Interest Payment Date falls directly after a Determination Period, then the excess (if any) to the Transaction Account to be applied as Available Revenue Receipts on the next following Interest Payment Date;
- (o) *fifteenth*, (so long as no Class A Notes remain outstanding following such Interest Payment Date), to pay principal due and payable on the Class Z VFN in an amount equal to the Class Z Repayment Amount; and
- (p) *sixteenth*, any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

As used in this Prospectus:

Accrued Interest means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the monthly payment date in respect of that Borrower's Loan immediately preceding the relevant date to (but excluding) the relevant date;

Appointee means any attorney, manager, agent, delegate, nominee, Receiver, receiver and manager, custodian or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions;

Arrears of Interest means as at any date in respect of any Loan, the aggregate of all interest (other than Accrued Interest or Capitalised Interest) on that Loan which is currently due and payable and unpaid on that date;

Capitalised Interest means, for any Loan at any date, Arrears of Interest in respect of that Loan and which as at that date has been added to the Current Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date);

Class Z Repayment Amount means, as at an Interest Payment Date, the greater of (A) (i) the Principal Amount Outstanding of the Class Z VFN on such Interest Payment Date (taking into account any amounts to be applied to pay principal on the Class Z VFN on such Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments) less (ii) the Current Balance of the Loans as at the end of the preceding Collection Period and (B) zero;

Early Repayment Charge means any fee or charge which a Borrower is required to pay under the terms of the relevant Loan in the event that such Borrower repays all or any part of the relevant Loan before a specified date;

Early Repayment Charge Receipts means an amount equal to sums received by the Issuer from time to time in respect of Early Repayment Charges;

Excess Swap Collateral means, in respect of the Fixed Interest Rate Swap Agreement, an amount (which will be transferred directly to the Fixed Interest Rate Swap Provider in accordance with the Fixed Interest Rate Swap Agreement) equal to the amount by which the value of the collateral (or the applicable part of any collateral) provided by the Fixed Interest Rate Swap Provider to the Issuer pursuant to the Fixed Interest Rate Swap Agreement exceeds the Fixed Interest Rate Swap Provider's liability under the Fixed Interest Rate Swap Agreement as determined on or as soon as reasonably practicable after the date of termination of such Interest Rate Swap Agreement (such liability shall be determined in accordance with the terms of the Interest Rate Swap Agreement except that for the purpose of this definition only the value of the collateral will not be applied as an unpaid amount owed by the Issuer to the Fixed Interest Rate Swap Provider) or which it is otherwise entitled to have returned to it under the terms of the Fixed Interest Rate Swap Agreement;

Interest Period means, in relation to a Note, the period from (and including) an Interest Payment Date for that Note (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date for that Note;

Interest Rate Swap Excluded Termination Amount means the amount of any termination payment due and payable to an Interest Rate Swap Provider as a result of an Interest Rate Swap Provider Default or Interest Rate Swap Provider Downgrade Event (to the extent such payment cannot be satisfied by (i) payment by the Issuer of any Replacement Swap Premium and/or (ii) amounts standing to the credit of the Swap Collateral Account);

Interest Rate Swap Provider Default means the occurrence of an Event of Default (as defined in the relevant Interest Rate Swap Agreement) where an Interest Rate Swap Provider is the Defaulting Party (as defined in the relevant Interest Rate Swap Agreement);

Interest Rate Swap Provider Downgrade Event means the occurrence of an Additional Termination Event (as defined in the Fixed Interest Rate Swap Agreement) following the failure by the Fixed Interest Rate Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Fixed Interest Rate Swap Agreement;

Replacement Swap Premium means, in respect of an Interest Rate Swap, an amount received by the Issuer from a replacement interest rate swap provider upon entry by the Issuer into an agreement with such replacement interest rate swap provider to replace such Interest Rate Swap;

Seller's Collection Account means the general collection account held by the Seller at the Collection Account Bank into which Borrowers pay amounts in relation to the Loans from time to time;

Swap Collateral means an amount equal to the value of collateral (other than Excess Swap Collateral) provided by the Fixed Interest Rate Swap Provider to the Issuer under the Fixed Interest Rate Swap Agreement and includes any interest, distributions and liquidation proceeds in respect thereof; and

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 an Interest Rate Swap Provider to the Issuer.

Definition of Principal Receipts

Principal Receipts means (a) principal repayments under the Loans, (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (c) any payment pursuant to any insurance policy in respect of a mortgaged property in connection with a Loan in the Portfolio and (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (other than any amounts representing Accrued Interest).

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 that are (i) received by the Issuer during the immediately preceding Collection Period (less an amount equal to the aggregate of all Additional Borrowing Purchase Prices paid by the Issuer in such Collection Period (including any Additional Borrowing Purchase Prices paid out on a Monthly Pool Date that is also an Interest Payment Date) but in aggregate not exceeding such Principal Receipts) and (ii) received by the Issuer from the Seller during the immediately preceding Collection Period in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;
- (b) (in respect of the first Interest Payment Date only) the amount paid into the Transaction Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Class Z VFN used to establish the General Reserve Fund and to pay the initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date) over the Initial Consideration;
- (c) the amounts (if any) credited on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments to the Class A Principal Deficiency Sub-Ledger and/or the Class Z VFN Principal Deficiency Sub-Ledger, by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class Z VFN Principal Deficiency Sub-Ledger is reduced;
- (d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);

less

- (e) any amounts utilised to pay a Revenue Deficiency pursuant to item (j) of the definition of Available Revenue Receipts;

plus

- (f) from and including the Step-Up Date, any Available Revenue Receipts applied as Available Principal Receipts in accordance with item (i) of the Pre-Acceleration Revenue Priority of Payments.

Application of Available Principal Receipts Prior to the Service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice on the Issuer, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the **Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of higher priority have been paid in full):

- (a) *first*, in or towards repayment of the principal 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 of the principal amounts outstanding on the Class Z VFN until the Principal Amount Outstanding of the subscription under the Class Z VFN used to fund the Current Balance of the Loans has been reduced to zero; and
- (c) *third*, the excess (if any) to be applied as Available Revenue Receipts.

Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer

Following the service of a Note Acceleration Notice (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or a Receiver will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) other than:

- (a) amounts representing any Excess Swap Collateral which shall be returned directly to the Fixed Interest Rate Swap Provider under the Fixed Interest Rate Swap Agreement;
- (b) any Swap Collateral or part thereof (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Interest Rate Swap Provider to the Issuer on early termination of the Interest Rate Swap under the Fixed Interest Rate Swap Agreement) which shall be returned directly to the Fixed Interest Rate Swap Provider under the Fixed Interest Rate Swap Agreement;
- (c) any Swap Tax Credits which shall be returned directly to the relevant Interest Rate Swap Provider;
- (d) any Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to an Interest Rate Swap Provider) which shall be paid directly to the relevant Interest Rate Swap Provider; and
- (e) any amounts standing to the credit of the Issuer Profit Ledger or any Issuer Profit Amount which shall be used by the Issuer in or towards satisfaction of any amounts due and payable by the Issuer to third parties (and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period) and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has

not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer,

in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Post-Acceleration Priority of Payments** and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the **Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable or provided for as being or to be payable to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable or provided for as being or to be payable to the Security Trustee, any Receiver appointed by the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable or provided for as being or to be payable to the Agent Bank and the Paying Agents and any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein; and
 - (iii) any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to any Swap Collateral Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein,
 - (iv) 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
 - (v) any amounts then due and payable to the Class Z VFN Registrar and any fees, costs, charges, liabilities and expenses then due and payable to the Class Z VFN Registrar under the provisions of the Agency Agreement together with (if payable) VAT thereon as provided therein,

- (c) *third*, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

- (i) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer under the provisions of the Back-Up Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Back-Up Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Back-Up Cash Manager under the provisions of the Back-Up Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and
 - (v) any amounts then due and payable to the Back-Up Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of, the Servicing Agreement together with (if payable) VAT thereon as provided therein; and
- (d) *fourth*, to pay amounts due and payable *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due to the relevant Interest Rate Swap Provider (excluding Interest Rate Swap Excluded Termination Amounts) in respect of an Interest Rate Swap Agreement including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the relevant Interest Rate Swap Provider of amounts standing to the credit of any Swap Collateral Account but excluding, where applicable, any related Interest Rate Swap Excluded Termination Amount;
- (e) *fifth*, to pay according to the respective outstanding amounts interest and any principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (f) *sixth*, to pay according to the respective outstanding amounts interest and principal due and payable on the Class Z VFN until the Principal Amount Outstanding on the Class Z VFN has been reduced to zero;
- (g) *seventh*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the applicable Interest Rate Swap Agreement to the relevant Interest Rate Swap Provider in respect of any Interest Rate Swap Excluded Termination Amount;
- (h) *eighth*, to pay the Issuer the Issuer Profit Amount to be retained by the Issuer in the Bank Accounts as profit in respect of the business of the Issuer; and
- (i) *ninth*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

Application of Amounts in Respect of Swap Collateral, Excess Swap Collateral, Swap Tax Credits and Replacement Swap Premium

Amounts received by the Issuer in respect of Excess Swap Collateral, Swap Collateral or part thereof (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Interest Rate Swap Provider to the Issuer on early termination of the Fixed Interest Rate Swap under the Fixed Interest Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Fixed Interest Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap), Swap Tax Credits and Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to an Interest Rate Swap Provider) shall, to the extent a corresponding amount is due and payable under the terms of the applicable Interest Rate Swap Agreement, be paid directly to the relevant Interest Rate Swap Provider without regard to the Priority of Payments and in accordance with the terms of the Deed of Charge.

DESCRIPTION OF THE NOTES IN GLOBAL FORM AND THE VARIABLE FUNDING NOTE

General

The Class A Notes, as at the Closing Date, will initially be represented by a Temporary Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Temporary Global Note will be deposited on or about the Closing Date on behalf of the subscribers for the Class A Notes with a Common Safekeeper for both Euroclear and Clearstream, Luxembourg (together, the **Clearing Systems**). Upon deposit of the Temporary Global Note, the Clearing Systems will credit each subscriber of Notes with the principal amount of Notes of the relevant class equal to the aggregate principal amount thereof for which the subscriber will have subscribed and paid. Interests in the Temporary Global Note are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Noteholder, for interests recorded in the records of the Clearing Systems in a Permanent Global Note.

For so long as the Class A Notes are represented by a Global Note and the Clearing Systems so permit, the Class A Notes will be tradeable only in the minimum authorised denomination of £100,000 and integral multiples of £1,000 in excess thereof.

Payments on the Global Note

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) for such purpose, subject, in the case of any Temporary Global Note, to certification of non-US beneficial ownership as provided in such Temporary Global Note. Each payment of principal, premium or interest made in respect of a Global Note will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers which reflect such customers' interest in the Notes) and such records shall be prima facie evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note. The Issuer shall procure that each payment shall be entered pro rata in the records of the relevant Clearing Systems but any failure to make such entries shall not affect the discharge referred to above.

Payments will be made, in respect of the Global Notes, by credit or transfer to an account in sterling maintained by the payee with a bank in London.

Payments in respect of principal, premium (if any) and interest on the Global Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

A holder shall be entitled to present a Global Note for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective

account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Security Trustee or the Note Trustee requests any action of Noteholders or if a Noteholder desires to give instructions or to take any action that a Noteholder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the participants to give instructions or take such action, and such participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

Redemption

In the event that the Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to or to the order of the Common Safekeeper and, upon final payment, the Common Safekeeper will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. The redemption price payable in connection with the redemption will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. Any redemptions of the Global Note in part will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its participants. See "*Description of the Notes in global form and the Variable Funding Note — General*", above.

Issuance of Definitive Notes

If, while any of the Class A Notes are represented by a Permanent Global Note, (a) either of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were such Notes in definitive form, then the Issuer will issue Definitive Notes in exchange for such Permanent Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. The Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and the Security Trustee require to take account of the issue of Definitive Notes.

Any Class A Notes issued in definitive form will be issued in definitive bearer form in the denominations set out in the Conditions and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, each Global Note or the Book-Entry Interests. In addition, so long as the Class A Notes are admitted to the Irish Stock Exchange's Official List and trading on its regulated market, any notice may also be published in accordance with the relevant rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange). See also Condition 15 (*Notice to Noteholders*) of the Notes.

Variable Funding Note

The Class Z VFN will be issued in dematerialised registered form and no certificate evidencing entitlement to the Class Z VFN will be issued. The Issuer will also maintain a register, to be kept on the Issuer's behalf by the Class Z VFN Registrar, in which the Class Z VFN will be registered in the name of the Class Z VFN Holder. Transfers of the Class Z VFN may be made only through the register maintained by the Issuer and are subject to the transfer restrictions set out in Condition 2.2 (*Title*).

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the **Conditions** of the Notes and any reference to a **Condition** shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

1. GENERAL

The £333,300,000 class A asset backed floating rate notes due 2052 (the **Class A Notes**) and the up to £500,000,000 variable funded note due 2052 issued at an initial Principal Amount Outstanding (as of the Closing Date) of £38,945,500 (the **Class Z VFN** and, together with the Class A Notes, the **Notes**), in each case of Oak No.1 PLC (the **Issuer**) are constituted by and have the benefit of a trust deed, including any schedules thereto (the **Trust Deed**) dated 10 April 2014 (the **Closing Date**) and made between, *inter alios*, the Issuer and U.S. Bank Trustees Limited as trustee for the Noteholders (in such capacity, the **Note Trustee**). Any reference in these terms and conditions (the **Conditions**) to a **Class** of Notes or of Noteholders shall be a reference to the Class A Notes or the Class Z VFN, as the case may be, or to the respective holders thereof, in each case except where the context otherwise requires.

The security for the Notes is constituted by and pursuant to a deed of charge and assignment (the **Deed of Charge**) dated on the Closing Date and made between, *inter alios*, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated on the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services Limited as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agents**), Aldermore Bank PLC as Class Z VFN registrar (in such capacity, the **Class Z VFN Registrar**) and Elavon Financial Services Limited as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the master definitions and construction schedule (the **Master Definitions and Construction Schedule**) entered into by, *inter alios*, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours and on reasonable notice 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.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

The Class Z VFN will be issued on the Closing Date with a nominal principal amount of up to £500,000,000 and a Principal Amount Outstanding of which £38,945,500 will be subscribed for on the Closing Date.

2. FORM, DENOMINATION AND TITLE

2.1 *Form and Denomination*

The Class A Notes are initially represented by a temporary global note (a **Temporary Global Note**) in bearer form in the aggregate principal amount on issue of £333,300,000 for the Class A Notes. The Temporary Global Note has been deposited on behalf of the subscribers of the Class A Notes with a common safekeeper (the **Common Safekeeper**) for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear** and together with Clearstream, Luxembourg, the **Clearing Systems**) on the Closing Date. Upon deposit of the Temporary Global Note, the Clearing Systems credited each subscriber of Class A Notes with the principal amount of Class A Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in the Temporary Global Note are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Noteholder, for interests in a permanent global note (a **Permanent Global Note**) representing the Class A Notes (the expressions **Global Notes** and **Global Note** meaning, the Temporary Global Note and the Permanent Global Note, or (ii) the Temporary Global Note or Permanent Global Note, as the context may require). The Permanent Global Note has also been deposited with the Common Safekeeper for the Clearing Systems.

Interests in a Global Note will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

The Class Z VFN will be in dematerialised registered form.

For so long as the Class A Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Class A Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Notes (as defined below) will be issued with a denomination above £199,000.

A Permanent Global Note will be exchanged for Class A Notes in definitive form (such exchanged Global Note, the **Definitive Notes**) (free of charge to the persons entitled to them) only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
 - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
 - (ii) announce an intention permanently to cease business and do so cease to do businessand 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 Class A Notes which would not be required were the Class A Notes in definitive form.

If Definitive Notes are issued in respect of Class A Notes originally represented by a Global Note, the beneficial interests represented by the Global Note shall be exchanged by the Issuer for the Class A Notes in definitive form. The aggregate principal amount of the Definitive Notes shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note, subject to and in

accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the Global Note.

Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons, principal coupons and, if necessary, talons attached.

Definitive Notes, if issued, will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. No Definitive Notes will be issued with a denomination above £199,000.

The Class Z VFN has a minimum denomination of £100,000 and may be issued and redeemed in integrals of £100. No certificate evidencing entitlement to the Class Z VFN will be issued. The Class Z VFN will be in dematerialised registered form.

The Class Z VFN will be issued on the Closing Date with a nominal principal amount of up to £500,000,000 and a Principal Amount Outstanding of which £38,945,500 will be subscribed for on the Closing Date. So long as the Class A Notes are outstanding, the Principal Amount Outstanding of the Class Z VFN shall not fall below 5 per cent. of the aggregate Current Balance of the Loans as at the Closing Date. If a further funding is made in respect of any of the Class Z VFN, the Class Z VFN Registrar shall record such increase in the Principal Amount Outstanding of the Class Z VFN in the register for the Class Z VFN (the **Class Z VFN Register**).

References to **Notes** in these Conditions shall include the Global Notes, the Class Z VFN and the Definitive Notes.

For the purposes of these Conditions, **outstanding** means, in relation to the Notes, all the Notes issued from time to time other than:

- (a) those Notes which have been redeemed in full and cancelled pursuant to the Conditions;
- (b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption monies (including all interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relevant Noteholders in accordance with these Conditions) and remain available for payment against presentation of the relevant Notes;
- (c) those Notes which have been cancelled in accordance with Condition 7.8 (*Cancellation*) of the Notes;
- (d) those Notes which have become void or in respect of which claims have become prescribed, in each case under Condition 9 (*Prescription*) of the Notes;
- (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes;
- (f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Notes outstanding and without prejudice to the status for any other purpose of the relevant instrument) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes; and

- (g) any Global Note to the extent that it shall have been exchanged for another Global Note in respect of the Notes of the relevant Class or for the Notes of the relevant Class in definitive form pursuant to its provisions,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders of any Class or Classes, an Extraordinary Resolution in writing, an Extraordinary Resolution by way of Electronic Consent, or an Ordinary Resolution in writing or an Ordinary Resolution by way of Electronic Consent as envisaged by paragraph 1 of Schedule 4 to the Trust Deed and any direction or request by the holders of Notes of any Class or Classes;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 10.1 and Schedule 4 to the Trust Deed, Conditions 10 (*Events of Default*) and 11 (*Enforcement*) of the Notes;
- (iii) any discretion, power or authority (whether contained in the trust presents, or vested by operation of law) which the Security Trustee and/or the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders or any Class or Classes thereof; and
- (iv) the determination by the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders or any Class or Classes thereof,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, any Subsidiary or Holding Company of the Issuer or the Seller, or any other Subsidiary of either such Holding Company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller, any Subsidiary or Holding Company of the Seller or any other Subsidiary of such Holding Company (the **Relevant Persons**) where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Class of Notes (the **Relevant Class of Notes**) shall be deemed to remain outstanding except that, if there is any other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding;

For the purposes of these Conditions, **Subsidiary** means a subsidiary and **Holding Company** means a holding company, each as defined in section 1159 of the Companies Act 2006.

2.2 Title

Title to the Global Note or Definitive Notes shall pass by delivery.

Title to a Class Z VFN shall only pass by and upon registration of the transfer in the Class Z VFN Register provided that no transferee shall be registered as a new Class Z VFN Holder unless (i) the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee has been obtained (and the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders) and (ii) such transferee has certified to, *inter alios*, the Class Z VFN Registrar that it is (A) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (B) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (C) a Qualifying Noteholder.

Qualifying Noteholder means:

- (a) a person which is beneficially entitled to interest in respect of the Class Z VFN and is:
 - (i) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of Section 19 of the Corporation Tax Act 2009 (the **CTA**)) of that company; or
 - (iii) a partnership each member of which is:
 - (A) a company resident in the United Kingdom; or
 - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account in computing its chargeable profits (for the purposes of Section 19 of the CTA) the whole of any share of a payment of interest in respect of the Notes that is attributable to it by reason of Part 17 of the CTA; or
- (b) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 (**ITA 2007**) and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 ITA 2007.

Noteholders means (i) the Class A Noteholders and (ii) the person(s) in whose name a Class Z VFN is registered in the Class Z VFN Register.

Class A Noteholders means holders of the Class A Notes.

Class Z VFN Holder means holders of the Class Z VFN.

3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

3.1 Status and relationship between the Notes

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of principal and interest.
- (b) The Class Z VFN constitutes direct, secured and (subject as provided in Condition 16 (*Subordination by Deferral*) and the limited recourse provisions in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class Z VFN rank junior to the Class A Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class Z VFN Holder will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding).
- (c) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and those of the Class Z VFN Holder. As long as the Notes are outstanding but subject to Condition 12.4 (*Meetings of*

Noteholders, Modification, Waiver and Substitution), the Security Trustee shall not have regard to the interests of the other Secured Creditors.

- (d) The Trust Deed and the Deed of Charge contain provisions limiting the powers of the Class Z VFN Holder to request or direct the Note Trustee or the Security Trustee to take any action according to the effect thereof on the interests of the Class A Noteholders.
- (e) Except in certain circumstances set out in the Trust Deed and the Deed of Charge, there is no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class Z VFN Holder.

3.2 Security

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for itself, the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (d) **Equitable Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

- (h) **No modification or waiver:** without prejudice to Condition 12.5 or otherwise than in accordance with the Conditions, permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Bank Accounts (including the Swap Collateral Account), unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **US activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles;
- (k) **Corporation tax:** prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006;
- (l) **Class Z VFN:** so long as the Class A Notes are outstanding, allow the Principal Amount Outstanding of the Class Z VFN to be less than 5 per cent. of the aggregate Current Balance of the Loans as at the Closing Date; or
- (m) **VAT:** apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re enact, replace, amend, vary, codify, consolidate or repeal any of the same.

5. INTEREST

5.1 *Interest Accrual*

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Class A Note, that part only of such Class A Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 *Interest Payment Dates*

The first Interest Payment Date will be the Interest Payment Date falling in August 2014.

Interest will be payable quarterly in arrear on the 26th day of February, May, August and November, in each year or, if such day is not a Business Day, on the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be payable on the immediately preceding Business Day (each such date being an **Interest Payment Date**), for all classes of Notes.

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

5.3 **Rate of Interest**

- (a) The rate of interest payable from time to time in respect of each class of the Notes (each a **Rate of Interest** and together the **Rates of Interest**) will be determined on the basis of the following provisions:
- (i) in respect of the Notes, the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Sterling deposits (or, in respect of the first Interest Period for the Notes the linear interpolation of LIBOR for three and six month deposits in Sterling) in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (A) the Relevant Margin and (B) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded, if necessary, to the nearest 0.0001 per cent. with 0.00005 per cent. rounded upwards); and
 - (ii) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) shall have applied but taking account of any change in the Relevant Margin.

There will be no minimum or maximum Rate of Interest.

- (b) The margin on the Class A Notes changes from (and including) the Interest Payment Date falling in May 2019 (the **Step-Up Date**).
- (c) In these Conditions (except where otherwise defined), the expression:
- (i) **Business Day** means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London;
 - (ii) **Relevant Margin** means in respect of each Class of the Notes the following per cent. per annum:
 - (A) in respect of the Class A Notes, prior to the Step-Up Date 0.67 per cent. per annum and on and after the Step-Up Date 1.34 per cent. per annum (the **Class A Margin**); and

- (B) in respect of the Class Z VFN, 0.00 per cent. per annum (the **Class Z VFN Margin**); and
- (iii) **Relevant Screen Rate** means the arithmetic mean of offered quotations for three-month Sterling deposits (or, with respect to the first Interest Period the rate which represents the linear interpolation of LIBOR for three and six month deposits in Sterling) (rounded, if necessary, to the nearest 0.00001 per cent. with 0.000005 per cent. rounded upwards) in the London interbank market displayed on the Reuters Screen page LIBOR01;
- (iv) **Reference Banks** means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such; and
- (v) **Interest Determination Date** means the first day of the Interest Period for which the rate will apply.

5.4 Determination of Rates of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the Sterling amount (the **Interest Amounts**) in respect of the Notes, payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 and rounding the resulting figure downwards to the nearest penny.

5.5 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rates of Interest and the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Class Z VFN Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Rates of Interest and Interest Amounts, the Rates of Interest at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the Interest Amounts in the manner provided in Condition 5.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, employ an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

5.7 **Notifications, etc. to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, or fraud) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Class Z VFN Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence, or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Class Z VFN Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.8 **Agent Bank**

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. Subject to the detailed provisions of the Agency Agreement, the Agent Bank may not resign its duties or be removed without a successor having been appointed.

5.9 **Determinations and Reconciliation**

- (a) In the event that the Cash Manager does not receive any Servicer Report which is due during a Collection Period (the **Determination Period**), then the Cash Manager may use the Servicer Reports in respect of the three most recent Collection Periods for which all relevant Servicer Reports are available (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 this Condition 5.9 (*Determinations and Reconciliation*). If and when the Cash Manager ultimately receives all the Servicer Reports relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 5.9(c). Any (i) calculations properly done on the basis of such estimates in accordance with Conditions 5.9(b) and/or 5.9(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 5.9(b) and/or 5.9(c), shall (in any case) be deemed to be done, in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (b) In respect of any Determination Period the Cash Manager shall:
- (i) determine the Interest Determination Ratio by reference to the three most recent Collection Periods in respect of which all relevant Servicer Reports are available (or, where there are not at least three such 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 (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the **Calculated Revenue Receipts**); and

- (iii) calculate the Principal Receipts for such Determination Period as the product of (i) 1 minus the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the **Calculated Principal Receipts**).
- (c) Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 5.9(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount as follows:
- (i) If the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger);
 - (ii) If the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

provided that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Note Trustee of such Reconciliation Amount.

- (d) In this Condition, the expression:

Interest Determination Ratio means (i) the aggregate Revenue Receipts calculated in the three preceding Servicer Reports divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Servicer Reports;

Reconciliation Amount means in respect of any Collection Period, (i) the actual Principal Receipts as determined in accordance with the available Servicer Reports, less (ii) the Calculated Principal Receipts in respect of such Collection Period, plus (iii) any Reconciliation Amount not applied in previous Collection Periods; and

Servicer Report means a report to be provided by the Servicer on or prior to each Monthly Test Date and detailing the information relating to the Portfolio necessary to produce the Investor Report.

6. PAYMENTS

6.1 *Payment of Interest and Principal*

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent (or the Class Z VFN Registrar in respect of the Class Z VFN) or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) for such purpose, subject, in the case of the Temporary Global Note, to certification of non-US beneficial ownership as provided in such Temporary Global Note. Each payment of principal, premium or interest made in respect of a Global Note will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers and reflect such customers' interest in the Notes) and such records shall be *prima facie* evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note. The

Issuer shall procure that each payment shall be entered *pro rata* in the records of the relevant Clearing System but any failure to make such entries shall not affect the discharge referred to above.

Payments will be made in respect of the Notes by credit or transfer to an account in Sterling maintained by the payee with a bank in London.

6.2 *Laws and Regulations*

Payments of principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 *Payment of Interest following a Failure to pay Principal*

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (*Interest Accrual*) and Condition 5.3(b) (*Rate of Interest*) will be paid, in respect of a Global Note, as described in Condition 6.1 (*Payment of Interest and Principal*) above and, in respect of any Definitive Note, in accordance with this Condition 6.

6.4 *Change of Paying Agents*

Subject to the detailed provisions of the Agency Agreement, the Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Class Z VFN Registrar and to appoint additional or other registration and paying agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (who may be the Principal Paying Agent) having its specified office in such place as may be required by the rules and regulations of the relevant stock exchange and competent authority which, for so long as the Notes are admitted to trading on the Regulated Market of the Irish Stock Exchange and the relevant listing rules require, shall be a place in the Republic of Ireland (such as Dublin) or such other place as the Irish Stock Exchange may approve;
- (c) 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 European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a person appointed to perform the obligations of the Class Z VFN Registrar.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Class Z VFN Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

6.5 No Payment on non-Business Day

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression **Presentation Date** means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

6.6 Partial Payment

If the Class Z VFN Registrar (in respect of the Class Z VFN) makes a partial payment in respect of the Class Z VFN, the Class Z VFN Registrar will, in respect of the Class Z VFN, annotate the Class Z VFN Register, indicating the amount and date of such payment.

6.7 Payment of Interest

If interest is not paid in respect of the Class Z VFN on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 6.1 (*Payment of Interest and Principal*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Class Z VFN until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 15 (*Notice to Noteholders*).

7. REDEMPTION

7.1 Redemption at Maturity

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in February 2052.

7.2 Mandatory Redemption

- (a) Each Note shall, subject to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) and 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), be redeemed on each Interest Payment Date prior to the service of a Note Acceleration Notice in an amount equal to the Available Principal Receipts available for such purpose which shall be applied (a) first to repay the Class A Notes until they are repaid in full and then (b) to repay the Class Z VFN until it is repaid in full subject in each case to the Pre-Acceleration Principal Priority of Payments and, as applicable, the Pre-Acceleration Revenue Priority of Payments.
- (b) 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 principal repayment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) in relation to the Class A Notes only, the fraction expressed as a decimal to the sixth point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of that Note, is the Principal Amount Outstanding of that Note on the Closing Date and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.
- (c) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and, in the case of the Class A Notes only, Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Security Trustee, the

Paying Agents, the Agent Bank, each Interest Rate Swap Provider and (for so long as the Class A Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Irish Stock Exchange) the Irish Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 15 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Class A Notes on any Interest Payment Date a notice to this effect will be given to the relevant Noteholders.

7.3 Optional Redemption of the Class A Notes in Full

- (a) On giving not more than 60 nor less than 30 days' notice to: (i) the Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*), (ii) the Note Trustee and (iii) each Interest Rate Swap Provider, the Issuer may redeem all (but not some only) of the Class A Notes provided that:
- (i) on or prior to the Interest Payment Date on which such notice expires (the **Optional Redemption Date**), no Note Acceleration Notice has been served;
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Class A Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Class A Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Acceleration Priority of Payments); and
 - (iii) the Optional Redemption Date is any Interest Payment Date either (i) falling in May 2019 or upon any Interest Payment Date thereafter, or (ii) on which the aggregate Principal Amount Outstanding of all of the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date.
- (b) Any Class A Note redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Class A Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Class A Note up to, but excluding, the Optional Redemption Date.

7.4 Optional Redemption of the Class A Notes for Taxation or Other Reasons

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 Class A Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Class A Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; or
- (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, on or before the next Interest Payment Date the Issuer or an Interest Rate Swap Provider would be required to deduct or withhold from any payment

under an Interest Rate 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 subparagraph (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 Class A Notes and the Trust Deed, provided that (A) the Issuer or the Cash Manager has certified in writing to the Note Trustee and the Security Trustee that such proposed action (i) (while any Class A Note remains outstanding) has been notified to the Rating Agencies, (ii) would not adversely 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) would not have an adverse effect on the rating of the Class A Notes; and (B) a legal opinion of independent legal advisers of recognised standing, in form and substance satisfactory to the Note Trustee is delivered to the Issuer and to the Note Trustee confirming that such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US 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 subparagraph (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 to the Note Trustee, each Interest Rate Swap Provider and Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*), redeem all (but not some only) of the Class A Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer stating that (i) one or more of the circumstances referred to in subparagraph (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 or an Interest Rate Swap Provider have or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled, without further investigation, 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 all the Noteholders and the Secured Parties.

The Issuer may only redeem the Class A 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 Class A Notes as aforesaid and any amounts required under the Pre-Acceleration Revenue Priority of Payments to be paid in priority to or *pari passu* with the Class A Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

7.5 *Principal Amount Outstanding*

The Principal Amount Outstanding:

- (a) in respect of the Class A Notes on any date shall be their original principal amount of £333,300,000 less the aggregate amount of all principal payments in respect of such Class A Notes which have been made since the Closing Date; and

- (b) in respect of the Class Z VFN shall be, as at a particular day (the **Reference Date**), the total principal amount of all drawings under the Class Z VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such Class Z VFN which have been made since the Closing Date and not later than the Reference Date (such amounts to be notified in writing by the Class Z VFN Registrar to the Principal Paying Agent and any other Paying Agents).

7.6 Notice of Redemption

Any such notice as is referred to in Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*) may be relied on by the Note Trustee without further investigation and, if so relied on, shall be conclusive and binding on the Noteholders.

7.7 No Purchase by the Issuer

The Issuer will not be permitted to purchase any of the Notes.

7.8 Cancellation

All Notes (other than the Class Z VFN) redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

On each Interest Payment Date on which the Class Z VFN is redeemed pursuant to Condition 7.2 (*Mandatory Redemption*), the Class Z VFN Registrar shall cancel the Class Z VFN in an amount equal to such mandatory redemption, thereby reducing the nominal principal amount of the Class Z VFN by an amount equal to such mandatory redemption.

Each Class Z VFN will be cancelled when redeemed in full after the Class Z VFN Commitment Termination Date and may not be resold or re-issued once cancelled.

8. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law or by agreement of the Issuer (or any Paying Agent or the Class Z VFN Registrar) under the provisions of section 1471(b) of the Code or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. In that event, subject to Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), the Issuer or, as the case may be, the relevant Paying Agent or the Class Z VFN Registrar shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer, the Class Z VFN Registrar nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. PRESCRIPTION

Claims in respect of principal and interest on the Notes will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 9, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

10. EVENTS OF DEFAULT

10.1 Class A Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall, (subject to being indemnified and/or secured and/or prefunded to its satisfaction) give a notice (a **Note Acceleration Notice**) to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with Accrued Interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**) with a copy of such Note Acceleration Notice being sent simultaneously to each Interest Rate Swap Provider:

- (a) if default is made in the payment of any principal or interest due in respect of the Class A Notes and the default continues for a period of: (i) seven days in the case of principal, or (ii) 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A Noteholders; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or (in the opinion of the Note Trustee) a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such

possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or

- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (g) the entry into the documents and/or the performance of the obligations thereunder becomes illegal under the applicable laws of England and Wales and the relevant matter cannot be resolved to the satisfaction of the Security Trustee within 30 Business Days of the relevant change of law or interpretation thereof.

10.2 Class Z VFN

This Condition 10.2 shall not apply as long as any Class A Note remains outstanding. Subject thereto, for so long as any Class Z VFN remains outstanding, the Note Trustee shall if so directed by the sole Class Z VFN Holder (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) give a Note Acceleration Notice to the Issuer in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class Z VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(g) (*Class A Notes*) occurs with references, where applicable, to the Class A Noteholders being read as to the Class Z VFN Holder.

10.3 General

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Condition 10.1 (*Class A Notes*) or Condition 10.2 (*Class Z VFN*) above, all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with Accrued Interest as provided in the Trust Deed.

11. ENFORCEMENT

11.1 General

The Note Trustee (including by instructions to the Security Trustee), may at any time, in its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in respect of the Note Trustee) the Notes and/or the Trust Deed (including these Conditions), or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of a Note Acceleration Notice, the Security Trustee may, in its discretion and without notice, take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking class or classes of Noteholders (including the provisions set out in Clause 10 and Schedule 4 of the Trust Deed), it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders or so directed in writing by the holders of at least 25 per cent.

in aggregate Principal Amount Outstanding of the Class A Notes or, if there are no Class A Notes then outstanding, the holders of all the Class Z VFN; and

- (b) in all cases, it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

11.2 Preservation of Assets

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either:

- (a) the Cash Manager certifies to the Security Trustee that a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders), or once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto) which certificate shall be binding on the Secured Creditors; or
- (b) the Security Trustee is of the opinion (which 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) that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and all persons ranking in priority to the Class A Noteholders as set out in the Post-Acceleration Priority of Payments or, once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto).

The Security Trustee shall not be bound to make the determination contained herein unless the Security Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing. The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

11.3 Limitations on Enforcement

No Noteholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

11.4 Limited Recourse

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the **Charged Assets**). If:

- (i) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (ii) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

- (iii) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any), interest),

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

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

12.2 An Extraordinary Resolution (other than in relation to a Basic Terms Modification) passed at any meeting of the Class A Noteholders shall be binding on the Class Z VFN Holder irrespective of the effect upon it, subject to Condition 12.3 (*Quorum*).

12.3 Quorum

- (a) Subject as provided below, the quorum at any meeting of Class A Noteholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes, or, at any adjourned meeting, one or more persons being or representing a Class A Noteholder, whatever the aggregate Principal Amount Outstanding of the Class A Notes then outstanding held or represented by it or them.
- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of the Class A Noteholders for passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification of the amount of principal payable or the rate of interest in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, (iv) alter the currency in which payments under the Notes are to be made (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal or substitution for the sale, conversion or cancellation of the Notes or (vii) alter any of the provisions contained in this exception (each a **Basic Terms Modification**) shall be one or more persons holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or, at any adjourned meeting, one or more persons present and holding or representing in the aggregate not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding and any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at a meeting of the Class A Noteholders.

The Trust Deed and the Deed of Charge contain similar provisions in relation to directions in writing, or through the Clearing Systems, from the Noteholders upon which the Note Trustee or, as the case may be, the Security Trustee (acting on the instructions of the Note Trustee) is bound to act.

12.4 The Note Trustee may agree with the Issuer or any other parties and/or direct the Security Trustee to agree with the Issuer or any other parties, but without the consent of the Noteholders or the other

Secured Creditors (but only with the written consent of the Secured Creditors which are a party to the relevant Transaction Document, such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document):

- (a) other than in respect of a Basic Terms Modification, to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee is not materially prejudicial to the interests of the Noteholders or (where the Note Trustee determines that there is a conflict between the interests of the Class A Noteholders and the interests of the Class Z VFN Holder), the Class A Noteholders;
- (b) to any modification to these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, is of a formal, minor or technical nature or to correct a manifest error; or
- (c) subject as provided in sub-paragraphs (i) and (ii) below, agree to any modifications to the Transaction Documents and/or the Conditions that are requested by the Issuer in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to receipt by the Note Trustee and the Security Trustee of a certificate of the Issuer signed by two directors certifying to the Note Trustee and the Security Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR, provided that:
 - (i) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any such modification which, in the sole opinion of the Note Trustee or the Security Trustee, would have the effect of (a) exposing the Note Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Note Trustee and/or the Security Trustee under the Transaction Documents and/or the Conditions; and
 - (ii) when implementing any such modifications pursuant to this Condition 12.4(c), 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 provided to it by the Issuer pursuant to this condition 12.4(c) and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying,

provided that in respect of any modifications to any of the Transaction Documents which would (in the opinion of an Interest Rate Swap Provider, which shall be confirmed in writing to the Note Trustee and the Security Trustee prior to such modification) have the effect (i) that immediately after such modification, such Interest Rate Swap Provider would be reasonably required to pay more or receive less under the relevant Interest Rate Swap Agreement if such Interest Rate Swap Provider were to replace itself under the relevant Interest Rate Swap than it would otherwise have been required to prior to such modification; or (ii) of altering the amount, timing or priority of any payments or deliveries due from the Issuer to that Interest Rate Swap Provider or from that Interest Rate Swap Provider to the Issuer, the written consent of the relevant Interest Rate Swap Provider shall have been provided to the Note Trustee prior to such modification.

12.5 In addition, the Note Trustee may, or (as appropriate) may instruct the Security Trustee with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents, but without the consent of the Noteholders and if in its opinion it will not be materially prejudicial to the interests of the Noteholders of any Class (or where the Note Trustee determines that there is a

conflict between the interests of the Class A Noteholders and the interests of the Class Z VFN Holder, the Class A Noteholders), to:

- (a) authorise or waive, on any terms and subject to any conditions which it considers appropriate, any proposed breach or breach of any Transaction Documents; or
- (b) determine that an actual or potential Event of Default or actual or potential breach of the Conditions shall not, or shall not subject to any specified conditions, be treated as such,

provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution or by a direction under Condition 10 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

- 12.6** Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15 (*Notice to Noteholders*).
- 12.7** Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 12.8** In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders.
- 12.9** In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee may at its absolute discretion, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Class A Notes. It is agreed and acknowledged by the Note Trustee and the Security Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee and the Security Trustee this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.
- 12.10** Where, in connection with the exercise or performance by the Note Trustee of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to herein), the Note Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being

for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

12.11 Extraordinary Resolution means:

- (a) a resolution passed at a meeting of the Class A Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than three-quarters of the votes cast;
- (b) a resolution in writing signed by or on behalf of the Class A Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the Class A Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Class A Noteholders;
- (c) consent given by way of Electronic Consent by or on behalf of the holders of not less than three quarters of the principal amount of the Notes for the time being outstanding; or
- (d) a resolution in writing signed by the sole Class Z VFN Holder.

Details of any Extraordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to the Rating Agencies by the Issuer.

12.12 Issuer Substitution Condition

The Note Trustee may concur with the Issuer, subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that replacement hedging arrangements are in place in relation to the Notes, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this Condition 12.12, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or secured and/or prefunded to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities

issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. REPLACEMENT OF NOTES

Subject to the more detailed provisions of the Agency Agreement, if any Class A Note is mutilated, defaced, or is (or is alleged to have been) lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Class A Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Class A Note must be surrendered before a new one will be issued.

15. NOTICE TO NOTEHOLDERS

15.1 *Publication of Notice*

- (a) Subject to paragraph (b) below, all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Note Trustee may approve. The holders of any coupons will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.
- (b) Whilst the Class A Notes are represented by a Global Note, notices to Noteholders (other than the Class Z VFN Holder) will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders (other than the Class Z VFN Holder). Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (c) In respect of the Class Z VFN, notices to the Class Z VFN Holder will be sent to it by the Issuer to the fax number or email address notified to the Issuer from time to time in writing.

15.2 *Note Trustee's Discretion to Select Alternative Method*

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

16. SUBORDINATION BY DEFERRAL

16.1 *Interest*

If, on any Interest Payment Date whilst any of the Class A Notes remain outstanding and prior to the service of a Note Acceleration Notice, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 16, include any interest previously deferred under this Condition 16.1 and Accrued Interest thereon) payable in respect of the Class Z VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer

shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the **Deferred Interest**) in respect of the Class Z VFN (unless there are no Class A Notes then outstanding) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than interest payable in respect of the Class Z VFN).

16.2 General

Any amounts of Deferred Interest in respect of the Class Z VFN shall accrue interest (**Additional Interest**) at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 16.1 (*Interest*) applies) or on such earlier date as the Class Z VFN becomes due and repayable in full in accordance with these Conditions.

16.3 Notification

As soon as practicable after becoming aware but no later than 5 Business Days prior to any Interest Payment Date that any part of a payment of interest on the Class Z VFN will be deferred or that a payment previously deferred will be made in accordance with this Condition 16, the Issuer will give notice thereof to the Class Z VFN Holder in accordance with Condition 15 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 16 will not constitute an Event of Default. The provisions of this Condition 16 shall cease to apply on the Final Maturity Date or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all deferred interest and Accrued Interest thereon shall become due and payable.

17. INCREASING THE PRINCIPAL AMOUNT OUTSTANDING OF THE CLASS Z VFN AND ADJUSTING THE MAXIMUM CLASS Z VFN AMOUNT

17.1 Class Z VFN

(a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the Class Z VFN Commitment Termination Date notifying the Issuer (i) (A) that an Additional Borrowing has been made in respect of which there are insufficient funds standing to the credit of the Principal Ledger to fund the purchase of such Additional Borrowing; (B) the Additional Borrowing Purchase Price; and (C) the amount of any such shortfall, being the portion of the Additional Borrowing Purchase Price which cannot be funded by amounts standing to the credit of the Principal Ledger, and/or (ii) that amounts standing to the credit of the General Reserve Fund are less than the General Reserve Required Amount; and/or (iii) of any premiums payable under any Interest Rate Swap Agreement, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class Z VFN (the **Class Z VFN Holder**) requesting that such Class Z VFN Holder further fund the Class Z VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:

(i)

- A. in respect of (i) above, the Additional Borrowing Purchase Price less amounts standing to the credit of the Principal Ledger available to pay such Additional Borrowing Purchase Price;
- B. in respect of (ii) above, the General Reserve Required Amount less all amounts standing to the credit of the General Reserve Fund; or

- C. in respect of (iii) above, the amount of any premium payable under the relevant Interest Rate Swap Agreement; and
- (ii) the Maximum Class Z VFN Amount less the current Principal Amount Outstanding of the Class Z VFN (taking into account any predicted or forecast reductions to the Principal Amount Outstanding of the Class Z VFN on the following Interest Payment Date given amounts then standing to the credit of the Transaction Account which will be available for distribution on such Interest Payment Date).
- (b) The Class Z VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the Class Z VFN Commitment Termination Date requesting that the relevant Class Z VFN Holder further fund the Class Z VFN, shall notify the Issuer that the relevant Class Z VFN Holder is prepared to make such further funding (the **Further Class Z VFN Funding**), provided the relevant Class Z VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 17.1(d) below.
- (c) The proceeds of the Further Class Z VFN Funding shall be applied by the Issuer to fund (i) the Additional Borrowing Purchase Price, (ii) the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount and (iii) any premiums payable under the relevant Interest Rate Swap Agreement.
- (d) The Class Z VFN Holder shall advance the amount of such Further Class Z VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
- (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further Class Z VFN Funding (or such lesser time as may be agreed by the Class Z VFN Holder), the relevant Class Z VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase therefor, receipt of which shall oblige the relevant Class Z VFN Holder to accept the amount of the Further Class Z VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
- (ii) as a result of the making of such Further Class Z VFN Funding, the aggregate amount plus all Further Class Z VFN Funding made in respect of the relevant Class Z VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class Z VFN which has already been repaid) would not exceed the Maximum Class Z VFN Amount;
- (iii) either:
- (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further Class Z VFN Funding; or
- (B) the relevant Class Z VFN Holder agrees in writing (notwithstanding any matter mentioned at 17.1(d)(iii)(A) above) to make such Further Class Z VFN Funding available; and
- (iv) the proposed date of such Further Class Z VFN Funding falls on a Business Day prior to the Class Z VFN Commitment Termination Date.

In this Condition, the expression:

Notice of Increase means a notice, substantially in the form set out in the Trust Deed.

Maximum Class Z VFN Amount for the Class Z VFN shall be £500,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class Z VFN Holder, and notified such amount to the Note Trustee.

18. 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 Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security Trustee) from the relevant Rating Agencies that the then current ratings of the Class A Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a **Rating Agency Confirmation**).
- (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 two directors certifying and confirming that each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred, the Issuer having sent a written request to each Rating Agency.

19. GOVERNING LAW

The Trust Deed, the Deed of Charge, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

20. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

USE OF PROCEEDS

The Issuer will use the proceeds of the Class A Notes to pay towards (as far as possible) the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Seller on the Closing Date.

The Issuer will use the proceeds of the issue of the Class Z VFN to fund (i) to the extent that the proceeds of the Class A Notes are insufficient to pay the Initial Consideration on the Closing Date, the remaining portion of the Initial Consideration, (ii) any Additional Borrowing Purchase Price (to the extent not funded by amounts standing to the credit of the Principal Ledger) (iii) the establishment of the General Reserve Fund on the Closing Date, (iv) any increase in the General Reserve Fund up to the General Reserve Fund Required Amount in order to satisfy the Asset Conditions for Additional Borrowings and/or Product Transfers, (v) initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date, and (vi) any premiums payable under any Interest Rate Swap Agreement.

RATINGS

The Class A Notes, on issue, are expected to be assigned the following ratings by Moody's and S&P. The Class Z VFN will not be rated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including, without limitation, a reduction in the credit rating of the Fixed Interest Rate Swap Provider and/or the Account Bank and/or the Collection Account Bank and/or the Swap Collateral Account Bank in the future) so warrant.

Class of Notes	Moody's	S&P
Class A Notes	Aaa(sf)	AAA (sf)
Class Z VFN	Not rated	Not rated

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

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 13 December 2013 (registered number 08814635) as a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is c/o 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0)20 7398 6300. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,999 shares of which are partly-paid up in cash of 25p each and 1 of which is a fully paid share of £1 held by Holdings as a nominee, all of which are beneficially owned by Holdings (see "*Holdings*" below).

The Issuer has been established as a special purpose vehicle or entity for the purposes of issuing asset backed securities. The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer. The principal objects of the Issuer are set out in its Articles of Association and are, *inter alia*, to carry on business as a general commercial company. The Issuer was established solely for the purpose of issuing the Notes. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to the issues of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

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

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

The Issuer, since its incorporation, has not commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issues of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer has not prepared financial statements up to the date of this Prospectus. The Issuer, as necessary, has made a notification under the Data Protection Act 1998. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2014.

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

Directors

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
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

Name	Business Address	Business Occupation
Debra Parsall	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 Keighley	35 Great St. Helen's, London, EC3A 6AP	Director
Robert Berry	35 Great St. Helen's, London, EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London, EC3A 6AP	Company Secretary, Director
Claudia Wallace	35 Great St. Helen's, London, EC3A 6AP	Director
J-P Nowacki	35 Great St. Helen's, London, EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London, EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London, EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London, EC3A 6AP	Director

The company secretary of the Issuer is SFM Corporate Services Limited whose principal office is at 35 Great St. Helen's, London, EC3A 6AP. The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus.

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 13 December 2013 (registered number 08814628) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is c/o 35 Great St. Helen's, London, EC3A 6AP. The issued share capital of Holdings comprises 1 ordinary share of £1. SFM Corporate Services Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the entire beneficial interest in the issued share capital of the Issuer.

Neither the Seller nor any company connected with the Seller can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer.

The principal objects of Holdings are set out in its Articles of Association and are, *inter alia*, to carry on business as a general commercial company.

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

Directors

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

Name	Business Address	Business Occupation
SFM Directors Limited	35 Great St. Helen's, London, EC3A 6AP	Director of special purpose companies
SFM Directors (No. 2) Limited	35 Great St. Helen's, London, EC3A 6AP	Director of special purpose companies
Debra Parsall	35 Great St. Helen's, London, EC3A 6AP	Director

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

Name	Business Address	Principal Activities
Jonathan Keighley	35 Great St. Helen's, London, EC3A 6AP	Director
Robert Berry	35 Great St. Helen's, London, EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London, EC3A 6AP	Company Secretary, Director

Name	Business Address	Principal Activities
Claudia Wallace	35 Great St. Helen's, London, EC3A 6AP	Director
J-P Nowacki	35 Great St. Helen's, London, EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London, EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London, EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London, EC3A 6AP	Director

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

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2014.

Holdings has no employees.

ALDERMORE BANK PLC

Aldermore Bank PLC (**Aldermore**) is the Seller pursuant to the Mortgage Sale Agreement, and will be appointed as Servicer pursuant to the Servicing Agreement, as Cash Manager pursuant to the Cash Management Agreement, as Floating Interest Rate Swap Provider pursuant to the Floating Interest Rate Swap Agreement and as Class Z VFN Registrar pursuant to the conditions.

Introduction

Aldermore's principal office is at 1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ (telephone number: 0173 340 4500); registered number is 00947662. Aldermore was established in May 2009 through the acquisition of Ruffler Bank Plc by funds advised by the private equity firm AnaCap Financial Partners LLP (**AnaCap**) and renamed Aldermore. Aldermore and its shareholders continually assess a range of strategic options for the future of the business, including an IPO.

Aldermore provides asset and invoice finance, residential mortgages and commercial mortgages, with a particular focus on services to the small and medium size business sector. Aldermore is funded through retail and business savings accounts. As at 31 December 2013, Aldermore had total assets of £4.2 billion, and the residential mortgage business had grown to £1.68 billion.

Except as otherwise stated, financial information contained herein is either (i) extracted from the audited annual accounts of Aldermore, or (ii) calculated using financial information extracted from such annual accounts. The contents of such audited annual accounts of Aldermore and the interim accounts do not form part of this Prospectus.

Constitution

Aldermore is authorised by the Prudential Regulation Authority (**PRA**) and is regulated by the Financial Conduct Authority (**FCA**) and the PRA. Aldermore is not affiliated with any other banking group.

The affairs of Aldermore are conducted and managed by a board of directors, who serve in accordance with the constitution of Aldermore. The board is responsible to the shareholders for the proper conduct of the affairs of Aldermore and appoints and supervises the senior executives of Aldermore who are responsible to the board for the day-to-day management of Aldermore. There exist no potential conflicts of interest between (i) any duties owed to Aldermore by any member of the board of directors or any of the senior executives and (ii) their private interests and/or other duties.

Business and Strategy of Aldermore

Aldermore's strategic objective is to be a provider of secured financial products to the small business and residential mortgage markets, funded substantially by retail and small business deposits.

The primary markets in which Aldermore operates are retail and business deposit taking, commercial and residential mortgage lending and asset and invoice financing. Aldermore advances funds to borrowers on the security of first mortgages on freehold and leasehold property located in England and Wales (and Scotland, although mortgages secured on properties located in Scotland are not included in the Portfolio) and in the case of commercial financing, on the security of the assets being funded or against verified trade receivables.

At the date of this Prospectus Aldermore Bank PLC is not rated by any rating agency.

Aldermore operates through intermediaries and an internet and telephone based direct to consumer propositions.

The other purposes and powers of Aldermore are specified in its constitution.

THE NOTE TRUSTEE AND SECURITY TRUSTEE

U.S. Bank Trustees Limited is a limited liability company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, London, EC2N 1AR, United Kingdom.

U.S. Bank Trustees limited, as part of the U.S. Bancorp group and in combination with Elavon Financial Services Limited (the legal entity through which European agency and banking appointments are conducted) and U.S. Bank National Association (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with \$364 billion in assets as of Dec. 31, 2013, is the parent company of U.S. Bank, the 5th largest commercial bank in the United States. The company operates 3,081 banking offices in 25 states and 4,906 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

THE CORPORATE SERVICES PROVIDER AND BACK-UP SERVICER FACILITATOR

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 or, following delivery of a Note Acceleration Notice, the Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Issuer or, following delivery of a Note Acceleration Notice, the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

Structured Finance Management Limited will also be appointed as Back-Up Servicer Facilitator pursuant to the Servicing Agreement (see the section entitled "*Summary of the Key Transaction Documents – Servicing Agreement*" for further information).

THE FIXED INTEREST RATE SWAP PROVIDER

J.P. Morgan Securities plc is incorporated in England and Wales and is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority. The Fixed Interest Rate Swap Provider became an EU credit institution on 1 July 2011.

J.P. Morgan Securities plc was previously named J.P. Morgan Securities Ltd. On 6 July 2012, J.P. Morgan Securities Ltd. was re-registered as a public company and its name was changed to J.P. Morgan Securities plc. In addition, its registered office was changed from 125 London Wall, London EC2Y 5AJ to 25 Bank Street, Canary Wharf, London E14 5JP.

The Fixed Interest Rate Swap Provider's immediate parent undertaking is J.P. Morgan Chase International Holdings, incorporated in England and Wales. The Fixed Interest Rate Swap Provider's ultimate parent undertaking is JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The parent undertaking of the smallest group in which the Company's results are consolidated is J.P. Morgan Capital Holdings Limited, incorporated in England and Wales.

The Fixed Interest Rate Swap Provider's primary activities are underwriting Eurobonds, equities and other securities, arranging private placements of debt and convertible securities, trading in debt and equity securities, swaps and derivative marketing, providing investment banking advisory and primary brokerage and clearing services for exchange traded futures and options contracts. The Fixed Interest Rate Swap Provider has branches in Frankfurt, Paris, Milan, Zurich, Madrid and Stockholm and is a member of many futures and equity exchanges including the London Stock Exchange.

The obligations of the Fixed Interest Rate Swap Provider under the Interest Rate Swap Agreement are guaranteed by JPMorgan Chase Bank, N.A. pursuant to a guarantee dated on or about the Issue Date.

The information contained in this section of this Prospectus relates to and has been obtained from the Fixed Interest Rate Swap Provider. The delivery of this Prospectus shall not create any implication that there has been no change in the affairs of the Fixed Interest Rate Swap Provider since the date hereof, or that the information contained or referred to in this section of this Prospectus is correct as of any time subsequent to its date.

THE FIXED INTEREST RATE SWAP GUARANTOR

JPMorgan Chase Bank, National Association is a wholly owned subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Fixed Interest Rate Swap Guarantor offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of December 31st, 2013, JPMorgan Chase Bank, National Association, had total assets of \$1,945.5 billion, total net loans of \$619.3 billion, total deposits of \$1,326.0 billion, and total stockholder's equity of \$169.3 billion. These figures are extracted from the Bank's unaudited Consolidated Reports of Condition and Income (the **Call Report**) as of December 31st, 2013, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles. The Call Report including any update to the above quarterly figures is filed with the Federal Deposit Insurance Corporation and can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2013, of JPMorgan Chase & Co., the 2012 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the **SEC**) by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC's website at www.sec.gov.

The information contained in this section of this Prospectus relates to and has been obtained from the Fixed Interest Rate Swap Guarantor. The delivery of this Prospectus shall not create any implication that there has been no change in the affairs of the Fixed Interest Rate Swap Guarantor since the date hereof, or that the information contained or referred to in this section of this Prospectus is correct as of any time subsequent to its date.

THE BACK-UP SERVICER

Crown Mortgage Management Limited is a private limited company incorporated in England and Wales on 3 August 1967 and registered under company number 00912411.

Crown Mortgage Management Limited is one of the mortgage administration industry's longest established organisations and is rated RPS3+ by Fitch Ratings Limited¹ and ranked "Above Average" by Standard and Poor's Credit Market Services Europe Limited, in each case for primary servicing and RSS 3+ and "Above Average", in each case for special servicing of residential mortgage loans.

Crown Mortgage Management Limited currently services in excess of 40,000 accounts totalling £4 billion of mortgage assets and has the experience of being the only back-up mortgage administrator to date to have been called to undertake mortgage servicing in the United Kingdom having been a back-up mortgage administrator.

Crown Mortgage Management Limited has ISO 9001-2008 certification, is an Associate Member of the Council of Mortgage Lenders and is authorised and regulated by the Financial Conduct Authority under registration number 306235. It holds all relevant permissions under the FSMA and is registered under the Data Protection Act 1998.

The registered office of Crown Mortgage Management Limited is at Crown House, Crown Street, Ipswich, Suffolk IP1 3HS.

¹ Fitch Ratings Limited is included on the list of credit rating agencies published by the European Securities and Markets Authority.

THE BACK-UP CASH MANAGER

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services Limited (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U. S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the U.K. Branch of Elavon Financial Services Limited from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services Limited is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services Limited is authorised by the Central Bank of Ireland and the activities of its U.K. Branch are also subject to the limited regulation of the FCA and the PRA.

U.S. Bank Global Corporate Trust Services in combination with U. S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with \$364 billion in assets as of Dec. 31, 2013, is the parent company of U.S. Bank, the 5th largest commercial bank in the United States. The company operates 3,081 banking offices in 25 states and 4,906 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

THE LOANS

The Portfolio

Introduction

The following is a description of some of the characteristics of the Loans originated by the Seller and comprised in the Cut-Off Date Portfolio including details of loan types, the underwriting process, lending criteria and selected statistical information.

The Seller will select the Loans for transfer into the Initial Portfolio using a system containing defined data on each of the qualifying loans in the Seller's overall portfolio of loans available for selection. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans (see "*Mortgage Sale Agreement – Representations and Warranties*"). This system also allows a limit to be set on some criteria. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria and these loans comprise the Cut-Off Date Portfolio. After a pool of Loans is selected in this way, the constituent Loans are monitored to ensure their compliance with the Loan Warranties on the Closing Date.

Unless otherwise indicated, the description that follows relates to types of loans that have been or could be sold to the Issuer as part of the Portfolio as at the Closing Date.

Any Loans sold to the Issuer will be selected from the Cut-Off Date Portfolio. In addition, the Seller may offer a Borrower under a Loan comprised in the Portfolio, or a Borrower may request, a Product Transfer. If this occurs the loan which the original Loan is switched into may have mortgage terms different from those Loans forming the Portfolio (including characteristics that are not currently being offered to Borrowers or that have not yet been developed) and may have been originated according to different Lending Criteria. All Product Transfers will be required to comply with the Asset Conditions set out in the Mortgage Sale Agreement on their Transfer Date. The material warranties in the Mortgage Sale Agreement to be given as at the Closing Date and the Asset Conditions (which include satisfaction of the warranties) which must be met on each Transfer Date are described in this Prospectus. See "Summary of Key Transaction Documents – Mortgage Sale Agreement", above.

Characteristics of the Loans

(1) *Repayment terms*

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product, for example, free valuations and payment of legal fees. Overpayments are allowed on all products, within certain limits.

Loans are typically repayable on one of the following bases:

- **Repayment Loan:** the Borrower makes monthly payments of both interest and principal so that, when the Loan reaches the end of its term, the full amount of the principal of the Loan will have been repaid; or
- **Interest-only Loan:** the Borrower makes monthly payments of interest but not of principal; when the Loan reaches the end of its term the entire principal amount of the Loan is still outstanding and is payable in one lump sum.

In the case of either Repayment Loans or Interest-only Loans, the required accrued rate of interest on the Loans will vary from month to month as a result of changes in interest rates. At least 10 business days' notice is given to borrowers of the change to the Direct Debit or other payment collection method.

For Interest-only Loans, because the principal is repaid in a lump sum at the maturity of the loan, the borrower is recommended to have some repayment mechanism (such as an investment plan) which is intended to provide sufficient funds to repay the principal at the end of the term.

Principal prepayments may be made in whole or in part at any time during the term of a Loan, subject to the payment of any Early Repayment Charges (as described in "*The Loans– Early repayment charges*" below). A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all Accrued Interest, Arrears of Interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- direct debit instruction from a bank or building society account, and
- standing order from a bank or building society account.

(2) Interest payments and interest rate setting

The Seller has responded to the competitive mortgage market by developing a range of products that are used to attract new borrowers and retain existing customers. Interest on the Loans is charged on one of the following bases and the Seller is able to combine these to suit the requirements of the Borrower:

- **Variable Rate Loans** are those loans which are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions (such rate being the relevant **Variable Rate**). Variable Rate Loans originated by the Seller are marketed by the Seller as bearing interest in accordance with the **Aldermore Managed Rate** or **AMR**) which is the Seller's discretionary standard variable rate and which may be varied by the Seller in accordance with the reasons set out in the relevant Mortgage Conditions. The AMR is currently set at 4.98 per cent. Loans may be subject to an interest margin above or below the AMR.
- **Fixed Rate Loans** are loans which are subject to a fixed rate of interest for a specified period of time, usually for 2, 3 or 5 years.

The relevant interest rate (including some fixed rates) may apply for the life of the Loan. Otherwise, each of the above rates is offered for a predetermined period, usually between 2 and 5 years, at the commencement of the Loan (the **Product Period**). At the end of the Product Period the rate of interest charged will either (a) move to some other interest rate type for a predetermined period or (b) revert to, or remain at, a Variable Rate linked to AMR, or to some other interest rate type. The Seller may introduce other Variable Rates in the future. In certain instances, early repayment charges are payable by the Borrower if the Loan is redeemed within the Product Period. See "*The Loans – Early repayment charges*" below.

The loans originated by the Seller provide for interest to be calculated on a daily basis. The interest due for each month is added to the Borrower's account on the first calendar day of such month based on the outstanding balance of the relevant loan as at the end of the preceding month (including any fees or charges which have become interest-bearing). Borrowers have the rest of the calendar month in which the interest is added to their account to make payment otherwise such interest will itself become interest-bearing as of the beginning of the subsequent calendar month. Any payment by the Borrower will immediately reduce the Borrower's balance on which interest will be calculated.

Except in limited circumstances as set out in "*The Servicing Agreement – Undertakings by the Servicer*", the Servicer is responsible for setting the Variable Rates on the Loans in the Portfolio that are sold to the Issuer. Under the 2010 version of the Mortgage Conditions (the **2010 Mortgage Conditions**) Aldermore has a right to reduce the interest rate at any time provided that the interest rate is not fixed. Aldermore also has the right to increase the interest rate at any time if one or more of the following reasons apply:

- (a) there has been, or Aldermore reasonably expects there to be in the near future, a general trend to increase interest rates on mortgages generally or mortgages similar to the mortgage borrowers’;
- (b) Aldermore needs to fund an increase in the interest rates it pays to its own funders (including the rates it offers on deposit accounts);
- (c) Aldermore wishes to adjust its interest rates to maintain a prudent level of profitability;
- (d) there has been, or Aldermore reasonably expects there to be in the near future, a general increase in the risk of shortfalls on the accounts of mortgage borrowers (whether generally or for Aldermore mortgage borrowers only) or;
- (e) to reflect changes in market conditions, banking practice, relevant laws, regulations, codes of practice or decisions of courts or an Ombudsman.

These reasons may relate to circumstances existing at the time or which the Servicer reasonably expects to apply in the near future.

If Aldermore wishes to increase the interest rate applicable to a Variable Rate Loan, it will give borrowers a minimum of 10 business days’ notice.

In addition to changes to the discretionary rates of interest there may be circumstances where Aldermore charges more interest to the Borrower as a result of action by the Borrower. For example, the rate of interest charged may be increased where property is let (however, this would constitute a change in the terms and conditions applicable to such Loan).

The 2010 Mortgage Conditions represent the most recent terms and conditions of the Seller relating to the Loans comprised in the Cut-Off Date Portfolio and dictate the specified reasons to change the interest rate.

(3) Early Repayment Charges

The Borrower may be required to pay an early repayment charge (an **Early Repayment Charge**) if the mortgage is repaid early or during the period in which such changes are applicable, as set out in the terms of the relevant Loan. The amount payable is based on a percentage of the amount repaid. A mortgage discharge fee is also payable.

If the Borrower repays its mortgage during an Early Repayment Charge period to move house, the Borrower may not have to pay the charge if the Borrower takes out a new loan for the new home with the Seller, subject to certain qualifying criteria.

Early Repayment Charges may also apply throughout the term of a Loan if overpayments are made. Overpayments of up to £5,000 can be made in any 12 month period, without incurring any charge. However, overpayments in excess of £5,000 will incur Early Repayment Charges based on a percentage of the amount by which the overpayment exceeds £5,000.

(4) Overpayments

Overpayments are allowed on all products, although an Early Repayment Charge may be payable (as described in 'Early Repayment Charges' above). Borrowers may either increase their regular monthly payments above the normal monthly payment then applicable or make lump sum payments at any time.

If Borrowers pay more than the scheduled monthly payment, the balance on their mortgage loan will be reduced. The Seller will charge interest on the reduced balance, which reduces the amount of interest the Borrower must pay.

(5) Additional Borrowings

Borrowers are able to apply for Additional Borrowings 6 months after mortgage completion, subject to certain qualifying criteria applicable to Additional Borrowings. The original mortgage deed is expressed to cover all amounts due under the relevant loan which would cover any Additional Borrowings. (See "*Summary of the Key Transaction Documents – Additional Borrowings and Product Transfers*").

Some Loans in the Initial Portfolio may have Additional Borrowings made on them prior to their being sold to the Issuer on the Closing Date.

If a Loan is subject to an Additional Borrowing after being sold to the Issuer, the Seller will be required to repurchase the Loan and its Related Security from the Issuer if following the Additional Borrowing the Loan breaches the Asset Conditions or the Loan Warranties or to the extent that the Issuer does not have sufficient funds from the Principal Ledger or from a drawing under the Class Z VFN to fund the purchase of such Additional Borrowing.

(6) Product Transfers

From time to time, Borrowers may request or the Servicer may send an offer of a variation in the financial terms and conditions applicable to the Borrower's loan. In limited circumstances, if a Loan is subject to a Product Transfer as a result of a variation and following such variation the Loan breaches the Asset Conditions or the Loan Warranties, then the Seller will be required to repurchase the Loan or Loans and their Related Security from the Issuer. (See "*Summary of the Key Transaction Documents – Additional Borrowings and Product Transfers*").

Origination channels

The Seller currently derives around 90% of its mortgage-lending business via intermediaries throughout the United Kingdom (except for certain loan related features, such as Additional Borrowings, which are originated directly by the Seller). The remainder is originated via a team of fully qualified mortgage advisers.

Once an application for a mortgage loan is received from a prospective new customer (through whichever origination channel) it is processed in-house by the Seller. The details of the application are entered into the Seller's relevant computer system, and arrangements are made to obtain such references and/or other proof of income, valuation, survey or other evidence of value (if any and as appropriate) that may be required by the Seller under its lending policy. A mortgage offer may then be issued to the prospective new customer and instructions are despatched to the relevant solicitor or licensed conveyancer to investigate title and issue a certificate on the same to the Seller. Once a satisfactory certificate of title has been received (if appropriate) and no other matters in relation to the application are outstanding, mortgage funds can be released to the solicitor or licensed conveyancer.

The Seller is subject to the PRA and FCA rules and the Financial Ombudsman Service.

Underwriting

The Seller does not use a scorecard when making credit decisions, although reference is made to the Delphi for New Business (**DNB**) and Consumer Indebtedness Index (**CII**) scores (both of which are obtained from external sources) when assessing cases.

The system rules identify whether the proposed loans meet the lending criteria (e.g. LTV, affordability, CCJs/adverse credit data, property type/location) and this is flagged to the underwriter for them to consider/assess as part of their lending decision.

Ability to repay the mortgaged debt is gauged through an assessment of the applicant's (verifiable) income, household composition and existing commitments; a view on intent to pay is judged via data on historic conduct from credit bureaux and others.

The affordability assessment takes into account known income and expenditure (loans, credit cards, etc) and assesses this against an "affordability factor".

The "affordability factor" is the percentage of the applicant's income that can be used to service all of the applicant's debt, including the Seller's mortgage. The affordability assessment uses this factor to calculate the value of total debt the applicant can afford to support and acts as a threshold within which to base the Seller's lending decision.

The value of the existing commitments (or a generic provision if there are no "live" credit commitments) is subtracted: the remainder is what is available to support the mortgage.

The affordability factors used within the affordability assessment use data from the Office of National Statistics (**ONS**).

Affordability factors vary depending on the household composition and the overall application gross annual income. This effectively applies higher and lower affordability factor thresholds within the affordability assessment, depending upon the household's composition and income situation.

The lending system is supported by a structure, with authority limits varying according to seniority. The delegated authorities allow named mandate holders to approve loans within certain criteria, amounts and LTV limits. Every case is reviewed by an approved mandate holder prior to the offer being issued. Loans that do not meet standard policy criteria can only be approved within strict Board limits by named experienced mandate holders with the required level of authorisation. All mandate holders are able to override previous initial 'accept' decisions at any point in the underwriting process if information comes to light that changes the initial decision.

Mortgage underwriting decisions, are subject to internal monitoring by the Seller in order to ensure the Seller's procedures and policies regarding underwriting are being followed by staff.

Lending Criteria

On the Closing Date, the Seller will represent that each Loan being sold to the Issuer was originated according to the lending criteria of the Seller at the time the Loan was offered (the **Lending Criteria**), in all material respects, subject only to exceptions made on a case-by-case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender. Policy and risk appetite varies in line with a number of internal and external factors in particular expectations of the housing market and wider economy and the Seller retains the right to revise its lending criteria from time to time, so the criteria applicable to any Loans which are the subject of an Additional Borrowing or Product Transfer may not be the same as those currently used.

This document reflects the lending criteria applied for originations between 2010 and the present. The Seller's current policy reflects the uncertainty of the economy.

Type of property

Properties may be either freehold or leasehold. In the case of leasehold properties, there must be at least 40 years left on the lease at the end of the mortgage term and a minimum of 60 years at the time of the application. The property must be used solely as a single residential dwelling. Properties must be of good quality, in sound structural condition and in a reasonable state of repair. House boats, mobile homes, and any property on which buildings insurance cannot be arranged are not acceptable. All persons who are to be legal owners of the property on completion must be named as Borrowers under the Mortgage.

All properties have been valued by a valuer approved by the Seller.

Term of loan

The minimum term of a loan is generally 10 years for new residential mortgages. The maximum term for residential loans is generally 35 years.

Details of applicant

All Borrowers must be aged 21 or over and the mortgage term must normally end before the Borrower reaches retirement.

The maximum number of applicants on any one residential mortgage application is 2.

Under the Seller's current Lending Criteria, to be accepted for a mortgage, generally all applicants must be UK or EU nationals or non-UK/EU nationals who have been resident in the UK for the last 24 months and have a permanent right to reside in the UK. For earlier originations borrowers had to have a legal right to reside in the UK but the length of that right varied. Expats or applicants with diplomatic immunity are not accepted.

Loan-to-value (or LTV) ratio

Normally, the maximum original LTV ratio of loans in the portfolio would be 85 per cent. Where fees were added to the loan, they may have taken the total lending over the specified LTV limit.

When the Seller makes a loan on a property which requires repairs, the property is either valued on a "when done" basis and the loan retained until works have been completed, or if the property is acceptable security in its existing condition, it may be valued on that basis and the loan released prior to works commencing.

Status of applicant(s)

Lending assessment is currently made using the lending system outlined in the underwriting section.

Employed applicant(s):

Where an applicant is in PAYE employment and the income of that applicant is required to support the loan, the Seller generally requires the applicant to be in a permanent position and not under notice of termination. However, fixed term/temporary workers are accepted where the applicant meets certain minimum requirements. The Seller requires with certain limited exceptions either the employer's reference or pay slips as evidence of income.

Self Employed Applicant(s):

The applicant must normally have been trading for at least 2 years. The Seller requires with certain limited exceptions evidence of income (for example, accounts, accountant's projections, tax assessments or other suitable evidence).

Credit history

The current policy is as follows:

Credit search:

A credit search is carried out in respect of all new applicants (and in relation to Additional Borrowings to existing Borrowers) with a bureau of the Seller's choice at a level of the Seller's choice.

Applications may be declined where an adverse credit history is revealed (for example, court judgements recorded during the preceding 3 years or bankruptcy orders (whether or not discharged) in the preceding 6 years).

Existing lender's reference:

Any reference must satisfy the Seller that the account has been properly conducted and that no history of material arrears exists.

First time buyers/applicants in rented accommodation:

Where applicants currently reside in rented accommodation, the Seller may seek sight of a bank statement or rent record book.

Bank reference/Proof of income

As part of the underwriting process, the Seller would seek and review satisfactory bank statements and references from existing or previous lenders. Additionally, under the current policy, the Seller will require all applicants to produce pay slips or similar documentation to prove income declared. A formal reference may be requested from the applicant's employer. If the applicant is self-employed, the application is required to be supported by a reference from a qualified accountant or two years of certified accounts. Alternatively, where the applicant is a sole trader or a partner without a suitably qualified accountant, two years of self-assessment tax returns will be obtained.

Underwriting Process

The Seller does not use a scorecard to make lending decisions, it applies an initial screening of all enquiries via a range of system rules based upon the lending policy which address aspects surrounding credit profile, affordability and property valuation. The rules enable the underwriters to focus their attention on those aspects of the case which require closer attention.

Underwriters review all cases which have either been referred or approved by the system rules, adopting a "whole case" review approach to include a review of credit searches, electronic identification (**EID**) and verification documentation, income and also undertaking a pre-offer call directly with the customer to confirm key details.

Changes to the underwriting policies and the Lending Criteria

The Seller's underwriting policies and Lending Criteria were and are subject to change within the Seller's sole discretion. Loans were and are originated by way of exception to the lending criteria where the Seller determined that the exception would have been acceptable to a Reasonable Prudent Mortgage Lender. Additional Borrowings and Product Transfers that are originated under Lending Criteria that are different from the criteria set out here may be sold to the Issuer.

Insurance policies

Insurance on the property

Each mortgaged property is required to be insured with buildings insurance by the Borrower. The property may be insured by the Seller at the expense of the Borrower or, the insurance may be purchased by the Borrower or (in the case of leasehold property) by a landlord or by a property management company. If the Seller becomes aware that no adequate insurance is in place, it has the power to arrange insurance on the property and charge the premiums for this to the Borrower's mortgage account.

Subject as set out above, the Seller only insures a property if it becomes aware that no insurance is in force or once it has repossessed the property from a defaulting Borrower. See "*Properties in possession cover*" below.

(7) Borrower-arranged buildings insurance

The Seller requires that a Borrower maintains home insurance for the duration of the mortgage and requires the acting solicitor or licensed conveyancer checks that such insurance is in place at the time when the mortgage commences. The Seller issues warnings on each annual statement to Borrowers that home insurance must be in place. The Seller maintains a policy which indemnifies them for any losses incurred due to the failure of a Borrower to maintain home insurance.

(8) Properties in possession cover

When a mortgaged property is taken into possession by the Seller, the Seller takes the necessary actions to ensure that the property is placed on to its block properties in possession insurance policy (the **Properties in Possession Cover**) so that appropriate insurance cover is provided on the property. The Seller may claim under this policy for any damage occurring to the property while in the Seller's possession.

(9) Title and Search insurance

Title and search insurance is used in some instances on remortgage cases, and in these instances the acting solicitor or licensed conveyancer will not undertake searches covered by the title and search insurance policy. Full searches are undertaken on all new purchase cases.

Insurance may also be used by the acting solicitor or licensed conveyancer in respect of certain limited title defects (e.g. restrictive covenants, absence of rights of way) on new purchases or remortgage cases.

Seller's arrears policy

The Seller classifies a Loan as being in pre-arrears where one scheduled monthly payment is unpaid for less than one month. A loan is classified as being in arrears when the scheduled monthly payment has been unpaid for one month or more. Once the scheduled monthly payment has been unpaid for one month or more the Loan is then classified as being in arrears. Borrowers in pre-arrears will receive an arrears letter from the Seller which is created and sent to the Borrower on the third working day after the scheduled monthly payment date.

The Seller will attempt to contact the Borrower initially by letter and by telephone if such payments remain unpaid. The Seller will upon establishing the Borrower's circumstances offer options specifically tailored to return the account to order, where possible. These options may include, loan modifications, payment arrangements or promises to pay. The Seller may send a field agent to the Borrower's address if no contact is made with the Borrower or if the Seller has been unable to ascertain a satisfactory reason and proposal for the unpaid scheduled monthly payment. Where a satisfactory arrangement cannot be reached or maintained, litigation and possession proceedings may be instigated by the Seller to enable the Seller to enforce its security.

Governing law

Each of the Loans is governed by English law.

Compliance with the Capital Requirements Directive

Aldermore is a credit institution and as such is bound by the requirements of the Capital Requirements Directive. The policies and procedures of Aldermore in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation are in compliance with the requirements of the Capital Requirements Directive.

The requirements of the Capital Requirements Directive broadly include the following:

- (a) that the granting of credit shall be based on sound and well-defined criteria and that the process for approving, amending, renewing and re-financing credits shall be clearly established (as to which, please see the information set out earlier in this section of this Prospectus);
- (b) that effective systems are in place to administer and monitor the various credit-risk bearing portfolios and exposures (as to which we note that the Portfolio will be serviced in line with the usual servicing procedures of Aldermore and the Seller – please see further the section of this Prospectus headed “*Summary of the Key Transaction Documents – Servicing Agreement*”);
- (c) that the diversification of credit portfolios shall be adequate given the relevant credit institution's target market and overall credit strategy (as to which, in relation to the Portfolio, please see the section of this Prospectus headed “*Characteristics of the Portfolio*”);
- (d) to have in place written policies and procedures in relation to risk mitigation techniques (as to which, please see the information set out earlier in this section of this Prospectus).

CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this Prospectus has largely been compiled by reference to certain Loans in a portfolio as at the Provisional Pool Date (the **Provisional Pool Date Portfolio**). The Provisional Pool Date Portfolio will consist of 2,686 Loans originated by the Seller between June 2010 and January 2014 and secured over properties located in England and Wales. The Current Balance of the Provisional Pool Date Portfolio is £362,282,683.40. The portfolio as at the Cut-Off Date (the **Cut-Off Date Portfolio**) will comprise a sub-set of the Provisional Pool Date Portfolio. The Portfolio has been randomly selected from the Provisional Pool Date Portfolio. Columns may not add up to 100 per cent. due to rounding. A Loan will be removed from the Portfolio if in the period from (and including) the Provisional Pool Date up to (but excluding) the Closing Date such Loan is repaid in full or if such Loan does not comply with the Loan Warranties on the Closing Date. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Provisional Pool Date for the Loans in the Portfolio.

In this section:

Mortgage Accounts means the totality of the relevant loans granted by the Seller secured on the same Property and their Related Security.

Further information in respect of individual loan level data may be obtained on the following website: www.aldermore.co.uk. The website and the contents thereof do not form part of this Prospectus.

The Issuer makes no representation as to the accuracy of the information sourced from any third party websites (including, without limitation, cash flow models, commentary and other materials). Such third party websites and the contents thereof do not form part of this Prospectus.

Original Balances as at the Provisional Pool Date

The following table shows the range of Mortgage Account Original Balances (including capitalised interest, capitalised high LTV fees, insurance fees, product or booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Provisional Pool Date.

Range of Original Balances	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
£0k < Original Balance <= £50k	6,287,677.62	1.74%	173	6.44%
£50k < Original Balance <= £100k	70,223,703.70	19.38%	961	35.78%
£100k < Original Balance <= £150k	88,269,891.51	24.36%	736	27.40%
£150k < Original Balance <= £200k	71,545,312.98	19.75%	428	15.93%
£200k < Original Balance <= £250k	29,968,317.48	8.27%	138	5.14%
£250k < Original Balance <= £300k	25,647,055.96	7.08%	96	3.57%
£300k < Original Balance <= £350k	12,083,474.00	3.34%	38	1.41%
£350k < Original Balance <= £400k	13,960,064.13	3.85%	38	1.41%
£400k < Original Balance <= £450k	9,151,069.50	2.53%	22	0.82%
£450k < Original Balance <= £500k	3,850,183.08	1.06%	8	0.30%
£500k < Original Balance <= £550k	8,355,487.29	2.31%	16	0.60%
£550k < Original Balance <= £600k	4,667,484.31	1.29%	8	0.30%
£600k < Original Balance <= £650k	3,682,787.87	1.02%	6	0.22%
£650k < Original Balance <= £700k	1,314,686.42	0.36%	2	0.07%
£700k < Original Balance <= £750k	4,418,971.14	1.22%	6	0.22%
£750k < Original Balance <= £800k	-	0.00%	0	0.00%
£800k < Original Balance <= £850k	806,256.70	0.22%	1	0.04%
£850k < Original Balance <= £900k	4,374,595.04	1.21%	5	0.19%
£900k < Original Balance <= £950k	3,675,664.67	1.01%	4	0.15%
£950k < Original Balance <= £1000k	-	0.00%	0	0.00%

Total	<u>£362,282,683.40</u>	<u>100.00%</u>	<u>2,686</u>	<u>100.00%</u>
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The minimum, maximum, and weighted average Original Balance of the Loans as of the Provisional Pool Date is £25,000.00, £950,000.00 and £219,425.48, respectively.

Current Balances as at the Cut-Off Date

The following table shows the range of Mortgage Current Balances (including capitalised interest, capitalised high LTV fees, insurance fees, product or booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Provisional Pool Date.

Range of Current Balances	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
£0k < Current Balance <= £50k	8,255,657.75	2.28%	217	8.08%
£50k < Current Balance <= £100k	72,537,655.22	20.02%	963	35.85%
£100k < Current Balance <= £150k	91,706,630.58	25.31%	744	27.70%
£150k < Current Balance <= £200k	66,415,155.24	18.33%	388	14.45%
£200k < Current Balance <= £250k	30,755,297.13	8.49%	138	5.14%
£250k < Current Balance <= £300k	23,985,062.16	6.62%	88	3.28%
£300k < Current Balance <= £350k	11,707,293.17	3.23%	36	1.34%
£350k < Current Balance <= £400k	13,013,657.42	3.59%	35	1.30%
£400k < Current Balance <= £450k	8,760,158.21	2.42%	21	0.78%
£450k < Current Balance <= £500k	4,787,561.42	1.32%	10	0.37%
£500k < Current Balance <= £550k	7,418,108.95	2.05%	14	0.52%
£550k < Current Balance <= £600k	5,255,430.66	1.45%	9	0.34%
£600k < Current Balance <= £650k	3,713,123.39	1.02%	6	0.22%
£650k < Original Balance <= £700k	696,404.55	0.19%	1	0.04%
£700k < Original Balance <= £750k	4,418,971.14	1.22%	6	0.22%
£750k < Original Balance <= £800k	-	0.00%	0	0.00%
£800k < Original Balance <= £850k	806,256.70	0.22%	1	0.04%
£850k < Original Balance <= £900k	3,474,586.96	0.96%	4	0.15%
£900k < Original Balance <= £950k	4,575,672.75	1.26%	5	0.19%
£950k < Original Balance <= £1000k	-	0.00%	0	0.00%
Total	<u>£362,282,683.40</u>	<u>100.00%</u>	<u>2,686</u>	<u>100.00%</u>

The minimum, maximum and average Current Balance of the Loans as of the Provisional Pool Date is £5,894.92, £949,864.60 and £134,878.14, respectively.

Loan to Value Ratios at Origination

The following table shows the range of loan to value ratios or LTV Ratios, which express the outstanding balance of the aggregate of Loans (including capitalised interest, capitalised high LTV fees, insurance fees, product or booking fees and valuation fees and incorporating all Loans secured on the same Property) in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Provisional Pool Date based on the original amount of the initial advance on the date of origination of the Loan divided by the value of the Property securing the Loans in the Mortgage Account as at that date. The Seller has not revalued any of the mortgaged properties since the date of the origination of the related Loan other than where Additional Borrowings have occurred or been applied for, and in certain Product Transfer and re-arrangement application cases (in each case, whether such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. (However, the revised valuation has not been used in formulating this data.)

Range of LTV Ratios at Origination	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
0% < OLV =< 5%	-	0.00%	0	0.00%
5% < OLV =< 10%	435,200.14	0.12%	9	0.34%
10% < OLV =< 15%	908,018.43	0.25%	26	0.97%
15% < OLV =< 20%	2,267,264.52	0.63%	39	1.45%
20% < OLV =< 25%	3,431,954.44	0.95%	46	1.71%
25% < OLV =< 30%	4,192,739.37	1.16%	55	2.05%
30% < OLV =< 35%	5,900,510.40	1.63%	68	2.53%
35% < OLV =< 40%	8,151,955.67	2.25%	86	3.20%
40% < OLV =< 45%	11,691,727.08	3.23%	106	3.95%
45% < OLV =< 50%	14,711,429.74	4.06%	129	4.80%
50% < OLV =< 55%	13,138,700.66	3.63%	109	4.06%
55% < OLV =< 60%	20,619,078.85	5.69%	162	6.03%
60% < OLV =< 65%	33,247,314.08	9.18%	211	7.86%
65% < OLV =< 70%	24,717,818.46	6.82%	176	6.55%
70% < OLV =< 75%	80,475,067.00	22.21%	460	17.13%
75% < OLV =< 80%	123,158,308.46	34.00%	886	32.99%
80% < OLV =< 85%	15,235,596.10	4.21%	118	4.39%
Total	£362,282,683.40	100.00%	2,686	100.00%

The minimum, maximum and weighted average Loan to Value Ratio at origination as at the Provisional Pool Date of the Loans in the Provisional Pool Date Portfolio is 6.01 per cent., 81.37 per cent. and 67.74 per cent., respectively.

Current Indexed Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan (including capitalised interest, capitalised high LTV fees, insurance fees, product or booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Provisional Pool Date by the indexed latest valuation of the Property securing that Loan at the same date.

Range of Current Indexed LTV Ratios*	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
0% < iCLTV =< 5%	15,946.31	0.00%	2	0.07%
5% < iCLTV =< 10%	646,052.86	0.18%	14	0.52%
10% < iCLTV =< 15%	1,563,400.36	0.43%	37	1.38%
15% < iCLTV =< 20%	2,791,124.03	0.77%	47	1.75%
20% < iCLTV =< 25%	3,292,676.67	0.91%	44	1.64%
25% < iCLTV =< 30%	6,138,305.78	1.69%	74	2.76%
30% < iCLTV =< 35%	6,907,604.16	1.91%	83	3.09%
35% < iCLTV =< 40%	10,120,578.35	2.79%	94	3.50%
40% < iCLTV =< 45%	13,172,693.04	3.64%	119	4.43%
45% < iCLTV =< 50%	15,647,837.04	4.32%	130	4.84%
50% < iCLTV =< 55%	19,965,642.31	5.51%	157	5.85%
55% < iCLTV =< 60%	28,346,575.40	7.82%	203	7.56%
60% < iCLTV =< 65%	37,346,251.62	10.31%	250	9.31%
65% < iCLTV =< 70%	59,924,129.79	16.54%	354	13.18%
70% < iCLTV =< 75%	98,133,949.91	27.09%	658	24.50%
75% < iCLTV =< 80%	48,451,588.44	13.37%	343	12.77%
80% < iCLTV =< 85%	9,650,020.36	2.66%	75	2.79%
85% < iCLTV =< 90%	168,306.97	0.05%	2	0.07%
Total	£362,282,683.40	100.00%	2,686	100.00%

* Most recent property valuation was indexed using the lower of the Halifax House Price Index (non seasonally adjusted) or the Nationwide House Price Index (non seasonally adjusted) based on quarterly data from the date of the latest recorded Valuation of the Property to the Provisional Pool Date. The indexed valuation which results in the higher Current Indexed Loan to Value ratio is referenced in this table.

The minimum, maximum and weighted average current Loan to Value Ratio as at the Provisional Pool Date of all the Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and product or booking fees) is 4.51 per cent., 85.42 per cent. and 63.37 per cent., respectively.

Current Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan as at the Provisional Pool Date by the unindexed latest Valuation of the Property securing that Loan at the same date.

Range of Current LTV Ratios	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
0% < CLTV <= 5%	5,894.92	0.00%	1	0.04%
5% < CLTV <= 10%	633,953.30	0.17%	14	0.52%
10% < CLTV <= 15%	1,138,329.25	0.31%	33	1.23%
15% < CLTV <= 20%	2,389,180.02	0.66%	43	1.60%
20% < CLTV <= 25%	3,660,913.27	1.01%	46	1.71%
25% < CLTV <= 30%	4,679,255.11	1.29%	64	2.38%
30% < CLTV <= 35%	6,901,277.70	1.90%	78	2.90%
35% < CLTV <= 40%	8,983,055.51	2.48%	93	3.46%
40% < CLTV <= 45%	11,877,475.66	3.28%	107	3.98%
45% < CLTV <= 50%	14,720,972.93	4.06%	125	4.65%
50% < CLTV <= 55%	15,699,305.87	4.33%	136	5.06%
55% < CLTV <= 60%	23,362,678.90	6.45%	176	6.55%
60% < CLTV <= 65%	36,772,842.95	10.15%	243	9.05%
65% < CLTV <= 70%	32,126,713.60	8.87%	216	8.04%
70% < CLTV <= 75%	83,231,541.99	22.97%	498	18.54%
75% < CLTV <= 80%	105,825,207.15	29.21%	733	27.29%
80% < CLTV <= 85%	10,274,085.27	2.84%	80	2.98%
Total	£362,282,683.40	100.00%	2,686	100.00%

The minimum, maximum and weighted average Current Loan to Value Ratio as at the Provisional Pool Date of the Loans in the Provisional Pool Date Portfolio is 4.53 per cent., 81.10 per cent. and 65.86 per cent., respectively.

Arrears Analysis of Non Repossessed Mortgage Accounts

Month(s) in Arrears*	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
Current Arrears = 0 months	£362,282,683.40	100.00%	2,686	100.00%
Total	£362,282,683.40	100.00%	2,686	100.00%

* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. If the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or

exceeds 1 the loan is deemed to be in arrears. Arrears classification is determined based on the number of full monthly payments that have been missed. A borrower that has missed payments that in the aggregate equal or exceeding 2 monthly payments (but for which the aggregate of missed payments is less than 3 monthly payments) would be classified as being between 2 – 3 months in arrears, and so on.

Geographical Distribution

The following table shows the distribution of Properties securing the Loans throughout England and Wales as at the Provisional Pool Date. No properties are situated outside England and Wales.

Region	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
East Anglia	46,633,077.59	12.87%	302	11.24%
East Midlands	24,685,929.77	6.81%	230	8.56%
Greater London	35,221,281.86	9.72%	150	5.58%
North	11,715,864.59	3.23%	121	4.50%
North West	43,437,913.28	11.99%	439	16.34%
South East	89,807,265.96	24.79%	499	18.58%
South West	40,611,290.14	11.21%	290	10.80%
Wales	13,842,515.30	3.82%	142	5.29%
West Midlands	27,599,768.09	7.62%	253	9.42%
Yorkshire and Humberside	28,727,776.82	7.93%	260	9.68%
Total	£362,282,683.40	100.00%	2,686	100.00%

Seasoning of Loans

The following table shows the number of months since the date of origination of the initial Loan. The seasoning of the Loans in this table have been taken as at the Provisional Pool Date and are calculated with respect to the initial advance.

Seasoning (months)	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
0 = Seasoning	-	0.00%	0	0.00%
0 < Seasoning <= 12	129,038,009.82	35.62%	928	34.55%
12 < Seasoning <= 24	136,736,961.86	37.74%	988	36.78%
24 < Seasoning <= 36	71,006,178.94	19.60%	559	20.81%
36 < Seasoning <= 48	25,501,532.78	7.04%	211	7.86%
Total	£362,282,683.40	100.00%	2,686	100.00%

The minimum, maximum, and weighted average seasoning of Loans in the Provisional Pool Date Portfolio as at the Provisional Pool Date is 0.92, 44.75 and 17.43 months, respectively.

Years to Maturity of Loans

The following table shows the number of remaining years of the term of the Loans in a Mortgage Account as at the Provisional Pool Date and are calculated with respect to the initial advance.

Years to Maturity	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
5 < Remaining Term <= 10	28,660,434.53	7.91%	247	9.20%
10 < Remaining Term <= 15	61,448,470.85	16.96%	472	17.57%
15 < Remaining Term <= 20	76,514,009.24	21.12%	564	21.00%
20 < Remaining Term <= 25	102,597,199.80	28.32%	744	27.70%
25 < Remaining Term <= 30	54,978,420.79	15.18%	388	14.45%
30 < Remaining Term <= 35	38,084,148.19	10.51%	271	10.09%
35 < Remaining Term <= 40	-	0.00%	0	0.00%
Total	£362,282,683.40	100.00%	2,686	100.00%

The minimum, maximum and weighted average remaining term of the Loans in the Provisional Pool Date Portfolio as at the Provisional Pool Date is 6.34, 34.94 and 20.86 years, respectively.

Purpose of Loan

The following table shows whether the purpose of the initial Loan in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

Use of Proceeds	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
Purchase	199,796,035.66	55.15%	1,443	53.72%
Remortgage	162,486,647.74	44.85%	1,243	46.28%
Total	£362,282,683.40	100.00%	2,686	100.00%

Repayment Terms

The following table shows the repayment terms for the Loans in a Mortgage Account as at the Provisional Pool Date.

Repayment Terms	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
Repayment	251,495,293.63	69.42%	2,140	79.67%
Interest Only	110,787,389.77	30.58%	546	20.33%
Total	£362,282,683.40	100.00%	2,686	100.00%

Product Types

The following table shows the distribution of special rate loans as at the Provisional Pool Date.

Product Type	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
SVR	112,664,484.78	31.10%	752	28.00%
Fixed	194,188,355.71	53.60%	1,597	59.46%
Discount	55,429,842.91	15.30%	337	12.55%
Total	£362,282,683.40	100.00%	2,686	100.00%

Current Interest Rates

The following table shows the distribution of Current Interest Rates as at the Provisional Pool Date.

Current Interest Rates	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total
2% < Interest Rate <= 3%	1,793,050.94	0.49%	14	0.52%
3% < Interest Rate <= 4%	74,252,138.48	20.50%	449	16.72%
4% < Interest Rate <= 5%	212,178,096.99	58.57%	1,605	59.75%
5% < Interest Rate <= 6%	73,123,599.53	20.18%	608	22.64%
6% < Interest Rate <= 7%	935,797.46	0.26%	10	0.37%
Total	£362,282,683.40	100.00%	2,686	100.00%

The minimum, maximum and weighted average current interest rate in the Provisional Pool Date Portfolio as at the Provisional Pool Date is 2.48 per cent., 6.23 per cent. and 4.68 per cent., respectively.

Fixed Rate Loans

As at the Provisional Pool Date, approximately 53.60 per cent. of the Aggregate Current Balance as at the Provisional Pool Date in the Provisional Pool Date Portfolio are Fixed Rate Loans. The following tables shows the distribution of Fixed Rate Loans by their fixed rate of interest as at such date, and the year in which the Loans cease to bear a fixed rate of interest and instead bear a floating rate of interest.

Fixed Rate Loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to the Aldermore Managed Rate or some other rate as specified in the offer conditions.

Fixed Interest Rates	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total	W.A. Reversion Date
2% < Interest Rate <= 3%	1,793,050.94	0.92%	14	0.88%	04/10/2015
3% < Interest Rate <= 4%	29,696,212.91	15.29%	218	13.65%	18/09/2015
4% < Interest Rate <= 5%	137,428,104.29	70.77%	1,094	68.50%	10/07/2015
5% < Interest Rate <= 6%	24,614,714.15	12.68%	264	16.53%	03/10/2015
6% < Interest Rate <= 7%	656,273.42	0.34%	7	0.44%	29/06/2015
Total	£194,188,355.71	100.00%	1,597	100.00%	

The minimum, maximum and weighted average fixed interest rate in the Provisional Pool Date Portfolio as at the Provisional Pool Date is 2.48 per cent., 6.18 per cent. and 4.69 per cent., respectively.

Fixed Rate Loans Reversion Date	Aggregate Current Balance (£)	per cent. of Total	Number of Mortgage Accounts	per cent. of Total	W.A. Interest Rate
Reversion Year = 2014	58,408,082.56	30.08%	451	28.24%	4.86%
Reversion Year = 2015	88,792,841.55	45.73%	702	43.96%	4.52%
Reversion Year = 2016	35,074,318.26	18.06%	330	20.66%	4.81%
Reversion Year = 2017	5,526,040.99	2.85%	53	3.32%	4.86%
Reversion Year = 2018	5,203,214.38	2.68%	49	3.07%	4.88%
Reversion Year = 2019	1,183,857.97	0.61%	12	0.75%	4.81%
Total	£194,188,355.71	100.00%	1,597	100.00%	

HISTORICAL AMORTISATION RATES OF ALDERMORE BANK PLC PRIME MORTGAGE LOANS

Month	Average of Monthly Amortisation Rate (Annualised) (Per Cent.)	Year	Average of Monthly Amortisation Rate (Annualised) Over Year (Per Cent.)
Jul 10	3.56%		
Aug 10	3.44%		
Sep 10	2.29%		
Oct 10	2.80%		
Nov 10	1.97%		
Dec 10	1.14%	2010	1.69%
Jan 11	3.66%		
Feb 11	2.78%		
Mar 11	1.75%		
Apr 11	2.48%		
May 11	1.34%		
Jun 11	3.08%		
Jul 11	4.11%		
Aug 11	6.12%		
Sep 11	8.80%		
Oct 11	7.11%		
Nov 11	14.23%		
Dec 11	7.13%	2011	5.22%
Jan 12	6.65%		
Feb 12	11.07%		
Mar 12	7.82%		
Apr 12	6.32%		
May 12	5.22%		
June 12	7.23%		
July 12	7.26%		
Aug 12	10.18%		
Sep 12	7.94%		
Oct 12	10.80%		
Nov 12	7.21%		
Dec 12	10.16%	2012	8.16%
Jan 13	13.33%		
Feb 13	13.45%		
Mar 13	8.82%		
Apr 13	9.42%		
May 13	15.09%		
June 13	13.87%		
July 13	10.56%		
Aug 13	15.62%		
Sep 13	19.77%		
Oct 13	15.92%		
Nov 13	19.32%		
Dec 13	16.44%	2013	14.30%
Jan 14	16.56%		

Note: the monthly amortisation rate above has been calculated by the following formula $1 - (1 - D)^{(365 / \text{number of days in the month})}$ where $D = (A - (B - C)) / A$ where A = Seller prime mortgage balance at previous month end. B = Seller prime mortgage balance at relevant month end and C = volume of new Seller prime mortgage originations (including Additional Borrowings).

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The UK housing market is primarily one of owner-occupied housing, with the remainder in some form of public, private landlord or social ownership. The mortgage market, whereby loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the United Kingdom.

Set out in the following tables are certain characteristics of the United Kingdom mortgage market.

Industry CPR rates

In the following tables, quarterly industry constant repayment rate (**industry CPR**) data was calculated by dividing the amount of scheduled and unscheduled repayments of mortgages made by building societies in a quarter by the quarterly balance of mortgages outstanding for banks and building societies in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

Quarter	Industry CPR Rate for the Quarter (per cent.)	12-month rolling average (per cent.)
March 1999	12.32%	14.41%
June 1999	15.96%	14.85%
September 1999	17.55%	15.21%
December 1999	16.47%	15.57%
March 2000	13.62%	15.90%
June 2000	15.31%	15.73%
September 2000	15.97%	15.34%
December 2000	15.67%	15.14%
March 2001	15.38%	15.58%
June 2001	18.23%	16.31%
September 2001	20.25%	17.39%
December 2001	20.06%	18.48%
March 2002	18.75%	19.32%
June 2002	21.10%	20.04%
September 2002	23.63%	20.89%
December 2002	22.89%	21.59%
March 2003	21.24%	22.22%
June 2003	22.43%	22.55%
September 2003	24.03%	22.65%
December 2003	24.87%	23.14%
March 2004	21.22%	23.14%
June 2004	22.93%	23.26%
September 2004	24.27%	23.32%
December 2004	20.85%	22.32%
March 2005	17.96%	21.50%
June 2005	21.32%	21.10%
September 2005	24.29%	21.10%
December 2005	24.61%	22.04%
March 2006	22.27%	23.12%
June 2006	23.37%	23.64%
September 2006	24.95%	23.80%
December 2006	24.87%	23.87%
March 2007	23.80%	24.25%
June 2007	24.84%	24.61%
September 2007	25.48%	24.74%
December 2007	23.55%	24.42%
March 2008	19.56%	23.36%
June 2008	20.88%	22.37%
September 2008	20.15%	21.03%
December 2008	15.33%	18.98%
March 2009	12.91%	17.32%
June 2009	11.39%	14.95%
September 2009	12.77%	13.10%

December 2009	11.99%	12.27%
March 2010	9.60%	11.44%
June 2010	10.60%	11.24%
September 2010	11.30%	10.87%
December 2010	10.98%	10.62%
March 2011	10.03%	10.73%
June 2011	10.59%	10.73%
September 2011	11.91%	10.88%
December 2011	11.41%	10.98%
March 2012	10.55%	11.11%
June 2012	10.85%	11.18%
September 2012	11.11%	10.98%
December 2012	11.39%	10.97%
March 2013	10.96%	11.07%
June 2013	12.52%	11.49%
September 2013	14.14%	12.25%
December 2013	14.41%	13.01%

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders and Bank of England

You should note that the CPR table above presents the historical CPR experience only of building societies in the United Kingdom. During the late 1990s, a number of former building societies converted stock to form UK banks and the CPR experience of these banks is therefore not included in the foregoing building society CPR data.

Repossession rate

The table below sets out the repossession rate of residential properties in the United Kingdom since 1985.

<u>Year</u>	<u>Repossessions (per cent.)</u>	<u>Year</u>	<u>Repossessions (per cent.)</u>	<u>Year</u>	<u>Repossessions (per cent.)</u>
1985.....	0.25%	1995.....	0.47%	2005.....	0.12%
1986.....	0.30%	1996.....	0.40%	2006.....	0.18%
1987.....	0.32%	1997.....	0.31%	2007.....	0.22%
1988.....	0.22%	1998.....	0.31%	2008.....	0.34%
1989.....	0.17%	1999.....	0.27%	2009.....	0.43%
1990.....	0.47%	2000.....	0.20%	2010.....	0.34%
1991.....	0.77%	2001.....	0.16%	2011.....	0.33%
1992.....	0.69%	2002.....	0.11%	2012.....	0.30%
1993.....	0.58%	2003.....	0.07%	2013.....	0.26%
1994.....	0.47%	2004.....	0.07%		

Source: Council of Mortgage Lenders

House price to earnings ratio

The following table shows the ratio for each year of the average annual value of houses compared to the average annual salary in the United Kingdom. The average annual earnings figures are constructed using the Annual Survey of Hours and Earnings figures referring to weekly earnings in April of each year for those male employees whose earnings were not affected by their absence from work. While this is a good indication of house affordability, it does not take into account the fact that the majority of households have more than one income to support a mortgage loan.

<u>Year</u>	<u>House Price to</u>	<u>Year</u>	<u>House Price to</u>
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	<u>Earnings Ratio</u>		<u>Earnings Ratio</u>
1994.....	4.55	2004.....	8.15
1995.....	4.47	2005.....	8.31
1996.....	4.51	2006.....	8.24
1997.....	4.77	2007.....	8.83
1998.....	5.11	2008.....	8.54
1999.....	5.37	2009.....	7.79
2000.....	6.14	2010.....	8.26
2001.....	6.27	2011.....	8.35
2002.....	7.11	2012.....	8.83
2003.....	7.66	2013.....	9.14

Source: Council of Mortgage Lenders

House price index

UK residential property prices, as measured by the Nationwide House Price Index and Halifax House Price Index (collectively the **Housing Indices**), have generally followed the UK Retail Price Index over an extended period. (Nationwide is a UK building society and Halifax is a division of Bank of Scotland plc which is part of the Lloyds Banking Group.)

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and large decreases occurring in the early 1990s and from 2007.

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	per cent.	Index	per cent.	Index	per cent.
		annual change		annual change		annual change
March 1989	111.7	7.7%	118.8	32.0%	217.8	32.1%
June 1989	114.9	8.2%	124.2	27.2%	226.8	25.9%
September 1989	116.0	7.7%	125.2	15.5%	227.3	14.3%
December 1989	118.3	7.6%	122.7	7.4%	222.8	5.1%
March 1990	120.4	7.8%	118.9	0.1%	220.7	1.3%
June 1990	126.0	9.7%	117.7	-5.2%	224.3	-1.1%
September 1990	128.1	10.4%	114.2	-8.8%	224.2	-1.4%
December 1990	130.1	10.0%	109.6	-10.7%	222.9	0.0%
March 1991	130.8	8.6%	108.8	-8.5%	220.2	-0.2%
June 1991	133.6	6.0%	110.6	-6.0%	223.2	-0.5%
September 1991	134.2	4.8%	109.5	-4.1%	220.8	-1.5%
December 1991	135.5	4.2%	107.0	-2.3%	217.5	-2.4%
March 1992	136.2	4.1%	104.1	-4.3%	210.6	-4.4%
June 1992	139.1	4.1%	105.1	-5.0%	210.4	-5.7%
September 1992	139.0	3.6%	104.2	-4.8%	208.4	-5.6%
December 1992	139.6	3.0%	100.1	-6.5%	199.3	-8.4%
March 1993	138.7	1.8%	100.0	-3.9%	196.9	-6.5%
June 1993	140.9	1.3%	103.6	-1.4%	203.2	-3.4%
September 1993	141.3	1.7%	103.2	-1.0%	204.2	-2.0%
December 1993	141.8	1.6%	101.8	1.8%	202.5	1.6%
March 1994	142.0	2.4%	102.4	2.4%	202.3	2.7%
June 1994	144.5	2.6%	102.5	-1.1%	204.3	0.5%
September 1994	144.6	2.3%	103.2	0.0%	204.3	0.0%
December 1994	145.5	2.6%	104.0	2.1%	200.9	-0.8%
March 1995	146.8	3.4%	101.9	-0.5%	200.3	-1.0%
June 1995	149.5	3.5%	103.0	0.5%	201.0	-1.6%
September 1995	149.9	3.7%	102.4	-0.8%	199.0	-2.6%
December 1995	150.1	3.2%	101.6	-2.3%	197.8	-1.5%
March 1996	150.9	2.8%	102.5	0.6%	200.9	0.3%
June 1996	152.8	2.2%	105.8	2.7%	208.6	3.8%
September 1996	153.1	2.1%	107.7	5.2%	209.8	5.4%
December 1996	154.0	2.6%	110.1	8.3%	212.6	7.5%
March 1997	154.9	2.7%	111.3	8.6%	215.3	7.2%
June 1997	156.9	2.7%	116.5	10.1%	222.6	6.7%
September 1997	158.4	3.5%	121.2	12.5%	223.6	6.6%
December 1997	159.7	3.7%	123.3	12.1%	224.0	5.4%
March 1998	160.2	3.4%	125.5	12.7%	226.4	5.2%
June 1998	163.2	4.0%	130.1	11.7%	234.9	5.5%
September 1998	163.7	3.3%	132.4	9.2%	236.1	5.6%
December 1998	164.4	2.9%	132.3	7.3%	236.3	5.5%
March 1999	163.7	2.2%	134.6	7.3%	236.3	4.4%
June 1999	165.5	1.4%	139.7	7.3%	247.7	5.4%
September 1999	165.6	1.2%	144.4	9.0%	256.7	8.7%
December 1999	166.8	1.5%	148.9	12.6%	263.4	11.5%
March 2000	167.5	2.3%	155.0	15.1%	270.5	14.5%
June 2000	170.6	3.1%	162.0	16.0%	275.6	11.3%
September 2000	170.9	3.2%	161.5	11.8%	277.6	8.1%
December 2000	172.0	3.1%	162.8	9.4%	278.3	5.7%
March 2001	171.8	2.6%	167.5	8.1%	279.0	3.1%
June 2001	173.9	1.9%	174.8	7.9%	297.0	7.8%
September 2001	174.0	1.8%	181.6	12.5%	305.0	9.9%
December 2001	173.8	1.0%	184.6	13.4%	310.9	11.7%
March 2002	173.9	1.2%	190.2	13.6%	324.3	16.2%
June 2002	176.0	1.2%	206.5	18.1%	346.6	16.7%
September 2002	176.6	1.5%	221.1	21.7%	369.1	21.0%
December 2002	178.2	2.5%	231.3	25.3%	393.0	26.4%
March 2003	179.2	3.0%	239.3	25.8%	400.1	23.4%

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	per cent.	Index	per cent.	Index	per cent.
		annual change		annual change		annual change
June 2003	181.3	3.0%	250.1	21.1%	422.5	21.9%
September 2003	181.8	2.9%	258.9	17.1%	437.6	18.6%
December 2003	182.9	2.6%	267.1	15.5%	453.5	15.4%
March 2004	183.8	2.6%	277.3	15.9%	474.0	18.5%
June 2004	186.3	2.8%	296.2	18.4%	513.2	21.5%
September 2004	187.4	3.1%	306.2	18.3%	527.2	20.5%
December 2004	189.2	3.4%	304.1	13.9%	522.0	15.1%
March 2005	189.7	3.2%	304.8	9.9%	520.2	9.7%
June 2005	191.9	3.0%	314.2	6.1%	532.1	3.7%
September 2005	192.6	2.8%	314.4	2.7%	543.1	3.0%
December 2005	193.7	2.4%	314.0	3.2%	548.4	5.1%
March 2006	194.2	2.4%	319.8	4.9%	552.6	6.2%
June 2006	197.6	3.0%	329.2	4.8%	582.1	9.4%
September 2006	199.3	3.5%	336.1	6.9%	586.7	8.0%
December 2006	201.4	4.0%	343.2	9.3%	602.8	9.9%
March 2007	203.0	4.5%	350.2	9.5%	613.9	11.1%
June 2007	206.3	4.4%	362.7	10.2%	644.1	10.7%
September 2007	207.1	3.9%	367.3	9.3%	649.3	10.7%
December 2007	209.8	4.2%	367.0	6.9%	634.4	5.2%
March 2008	211.1	4.0%	357.8	2.2%	620.9	1.1%
June 2008	215.3	4.4%	348.1	-4.0%	605.1	-6.1%
September 2008	217.4	5.0%	329.5	-10.3%	568.9	-12.4%
December 2008	215.5	2.7%	312.9	-14.7%	531.5	-16.2%
March 2009	210.9	-0.1%	298.7	-16.5%	512.5	-17.5%
June 2009	212.6	-1.3%	307.3	-11.7%	514.3	-15.0%
September 2009	214.4	-1.4%	319.5	-3.0%	526.5	-7.5%
December 2009	216.9	0.6%	323.4	3.4%	537.3	1.1%
March 2010	219.3	4.0%	324.9	8.8%	539.0	5.2%
June 2010	223.5	5.1%	336.6	9.5%	546.6	6.3%
September 2010	224.5	4.7%	333.9	4.5%	540.4	2.6%
December 2010	227.0	4.7%	325.1	0.5%	528.8	-1.6%
March 2011	230.9	5.3%	323.9	-0.3%	523.2	-2.9%
June 2011	234.9	5.1%	332.7	-1.2%	527.2	-3.5%
September 2011	236.2	5.2%	332.3	-0.5%	528.0	-2.3%
December 2011	238.6	5.1%	328.7	1.1%	522.0	-1.3%
March 2012	239.6	3.8%	324.6	0.2%	520.1	-0.6%
June 2012	242.2	3.1%	329.1	-1.1%	524.7	-0.5%
September 2012	243.1	2.9%	327.0	-1.6%	521.8	-1.2%
December 2012	246.0	3.1%	325.0	-1.1%	520.5	-0.3%
March 2013	247.4	3.3%	325.3	0.2%	525.7	1.1%
June 2013	249.7	3.1%	333.7	1.4%	544.4	3.8%
September 2013	250.9	3.2%	341.0	4.3%	554.2	6.2%
December 2013	252.5	2.6%	348.0	7.1%	559.5	7.5%

Source: Office for National Statistics, Nationwide Building Society and HBOS plc, respectively.

The percentage annual change in the table above is calculated in accordance with the following formula:

$(x/y) - 1$, where **x** is equal to the current quarter's index value and **y** is equal to the index value of the previous year's corresponding quarter.

All information contained in this Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society, which is available on their website, <http://www.nationwide.co.uk/hpi/>, but which is not incorporated by reference into this Prospectus. All information contained in this Prospectus in respect of the Halifax House Price Index has been reproduced from information published by HBOS plc, which is available on their website, <http://www.lloydsbankinggroup.com/media/economic-insight/halifax-house-price-index/>, but which is not

incorporated by reference into this Prospectus. The Issuer confirms that all information in this Prospectus in respect of the Nationwide House Price Index and the Halifax House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society and HBOS plc, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the Issuer nor Nationwide Building Society nor HBOS plc makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information.

ESTIMATED WEIGHTED AVERAGE LIVES OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) the Issuer exercises its option to redeem the Class A Notes in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) on the Step-Up Date, in the first scenario, or the Issuer does not exercise its option to redeem the Notes on or after the Step-Up Date, in the second scenario;
- (b) the Loans are subject to a constant annual rate of prepayment (exclusive of scheduled principal redemptions) of between 0 and 30 per cent. per annum as shown on the table below;
- (c) the assets of the Issuer are not sold by the Security Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Class A Notes in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*);
- (d) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (e) no Borrowers are offered and accept different mortgage products or Additional Borrowings by the Seller or any of its subsidiaries and the Seller is not required to repurchase any Loan (including any Additional Borrowing thereon since the Closing Date) in accordance with the Mortgage Sale Agreement;
- (f) no Loan is subject to a Product Transfer;
- (g) the Security is not enforced;
- (h) the Mortgages continue to be fully performing;
- (i) the Loans are sold to the Issuer at a price equal to their Current Balance as at the Cut Off Date, therefore the accrual of cash flows starts at the Cut Off Date;
- (j) the ratio of the Principal Amount Outstanding of the Class A Notes to the Current Balance of the Portfolio as at the Closing Date is 92% per cent.;
- (k) the Notes are issued on or about 10 April 2014;
- (l) the Interest Payment Dates are on 26th day of every February, May, August, and November with the first Interest Payment Date being on or about 26th August 2014 and the Step-Up Date on 26th May 2019;
- (m) on and after the Step-up Date excess Available Revenue Receipts are equal to the annualised rate of 0.52% and are used to make payments of principal on the Class A Notes;
- (n) scheduled amortisation is calculated on an individual Loan basis in accordance with the contractual repayment terms of each Loan within the Provisional Pool Date Portfolio and is initially aggregated on monthly basis;
- (o) unscheduled amortisation is calculated on an aggregate basis by adjusting the scheduled amortisation in each period by the annualised constant prepayment rate;

- (p) the annualised constant prepayment rate consists of both partial and full prepayments of the principal under the Loans;
- (q) the weighted average lives of the Notes are calculated on an Actual/365 basis;
- (r) there is no debit balance on any of the sub-ledgers of the Principal Deficiency Ledgers on any Interest Payment Date;
- (s) the coupon payable on each Loan depends on the reversionary rate date and relevant margin over the Aldermore Managed Rate; and
- (t) the Aldermore Managed Rate is static at 4.98%.

	Assuming Issuer call on Step-Up Date	Assuming no Issuer call
	Possible Average Life of Class A Notes (years)	Possible Average Life of Class A Notes (years)
0.0 per cent.	4.84	12.74
5.0 per cent.	4.24	8.10
10.0 per cent.	3.70	5.61
15.0 per cent.	3.22	4.15
20.0 per cent.	2.80	3.23
25.0 per cent.	2.43	2.60
30.0 per cent.	2.09	2.15

Assumption (a) (in relation to the Issuer exercising its option to redeem the Class A Notes on the Step-Up Date) in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) reflects the current intention of the Issuer but no assurance can be given that such assumption will occur as described.

Assumption (b) is stated as an average annualised prepayment rate as the prepayment rate for one Interest Period may be substantially different from that for another. The constant prepayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant prepayment rates.

Assumptions (b) to (g) (inclusive) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors – Risk Factors relating to the Issuer – Considerations relating to yield, prepayments, mandatory redemption and optional redemption*", above.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs (HMRC) practice in the United Kingdom relating only to the United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Each prospective purchaser is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Notes under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the prospective purchaser may be subject to tax.

In this summary references to "Notes" and "Noteholder" excludes the Class Z VFN and the Class Z VFN Holder. The Class Z VFN Holder is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Class Z VFN under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the Class Z VFN Holder may be subject to tax.

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 EEA states and are admitted to trading on the Main 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 on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

HMRC has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

HMRC has indicated that it will not use its information-gathering power on interest to obtain information about amounts payable on the redemption of deeply discounted securities which are paid before 6 April 2014. In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being 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). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

On 24 March 2014, the Council of the European Union adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 through 1474 of the U.S. Internal Revenue Code (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the 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 is classified as an FFI.

The new withholding regime will be phased in beginning on 1 July 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than on and after 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes 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 on or after the **grandfathering date**, which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country 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 would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. 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 **US-UK IGA**) based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the US-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 are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI or a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

While the Class A Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Class A Notes by the Issuer, any paying agent and the common depositary or common safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Class A Notes. The documentation expressly contemplates the possibility that the Class A Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed 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 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 Class A Notes are discharged once it has paid the common safekeeper for the clearing systems (as registered holder of the Class A Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems 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 model IGAs, all of which are subject to change or may be implemented in a materially different form.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

Aldermore Bank PLC (**Aldermore**), J.P. Morgan Securities plc (**J.P. Morgan**, the **Arranger** and a **Joint Lead Manager**), Lloyds Bank plc (a **Joint Lead Manager** and, together with J.P. Morgan, the **Joint Lead Managers**) have, pursuant to a subscription agreement dated 8 April 2014 between Aldermore, the Seller, the Arranger, the Joint Lead Managers and the Issuer (the **Subscription Agreement**), agreed with the Issuer (subject to certain conditions) on the Closing Date to subscribe and pay for:

- a) in the case of the Joint Lead Managers, £333,300,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes; and
- b) in the case of Aldermore, £38,945,500 of the Class Z VFN at the issue price of 100 per cent. of the aggregate principal amount of the Class Z VFN (being the initial Principal Amount as at the Closing Date) which may be further subscribed for by Aldermore up to a maximum Principal Amount of £500,000,000.

The Arranger and the Joint Lead Managers may sell any of the Notes to subsequent purchasers in individually negotiated transactions at negotiated prices which may vary among different purchasers and which may be greater or less than the issue price of the Notes. The Issuer has agreed to indemnify Aldermore, the Joint Lead Managers and the Arranger against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Other than admission of the Class A Notes to the Official List of the Irish Stock Exchange and the admission of the Class A Notes to trading on the Irish Stock Exchange's Regulated Market, no action has been taken by the Issuer, Aldermore, the Joint Lead Managers or the Arranger, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

Pursuant to the Subscription Agreement Aldermore has covenanted that it will, *inter alia*, retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with each of Article 405 of the Capital Requirements Regulation and Article 51 of the AIFM Regulation. As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as required by Article 405 of the CRR. Any change to the manner in which such interest is held will be notified to investors).

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 and Aldermore has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of,

U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. See "*Transfer Restrictions and Investor Representations*", below.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers and Aldermore has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Joint Lead Managers and Aldermore has acknowledged that, save for the Issuer having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA and having applied for the admission of the Class A Notes to the Official List of the Irish Stock Exchange and admission of the Class A Notes to trading on the Irish Stock Exchange, no further action has been or will be taken in any jurisdiction by Aldermore that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

General

No action has been taken by the Issuer, Aldermore, the Joint Lead Managers or the Arranger 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 Arranger and the Joint Lead Managers and Aldermore has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales by the Arranger and the Joint Lead Managers

The Notes (including interests therein represented by a Global Note, a Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale

Each purchaser (other than the Arranger and/or the Joint Lead Managers and/or the Class Z VFN Holder) of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act 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;
- (c) the Issuer, the Arranger, the Joint Lead Managers, the Class Z VFN Registrar and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION

REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

Additional representations and restrictions applicable to a Class Z VFN

Any holder of a Class Z VFN may only make a transfer of the whole of its Class Z VFN or create or grant any encumbrance in respect of such Class Z VFN if all of the following conditions are satisfied:

- (a) the holder of such Class Z VFN making such transfer or subjecting the Class Z VFN to such encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the holder of such Class Z VFN or any other person in relation to such transfer or encumbrance;
- (b) the holder of such Class Z VFN has received the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee (the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders);
- (c) the person to which such transfer is to be made falls within paragraph 3 of Schedule 2A of the Insolvency Act;
- (d) the transferee of such Class Z VFN is independent of the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006); and
- (e) the transferee is a Qualifying Noteholder.

The Class Z VFN Registrar shall not pay any relevant Interest Amount to the holder of a Class Z VFN and such holder shall not be entitled to receive such relevant Interest Amount on any Interest Payment Date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided to the Issuer a tax certificate substantially in the form set out in Schedule 1 (Form of Tax Certificate) of the Agency Agreement (the **Tax Certificate**) and the Issuer (or the Cash Manager on behalf of the Issuer in accordance with the terms of the Cash Management Agreement) has confirmed in writing to the Class Z VFN Registrar that such Interest Amount in respect of the Class Z VFN can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The Class Z VFN Registrar shall upon receipt of such confirmation make a note of such confirmation in the Class Z VFN Register.

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Class A Notes to the Official List of the Irish Stock Exchange and the admission of the Class A Notes to trading on the Irish Stock Exchange's Regulated Market will be granted on or around the Closing Date. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction. The Class Z VFN will not be listed.
2. Neither the Issuer nor Holdings has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 13 December 2013 (being the date of incorporation of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. The auditors of the Issuer are KPMG LLP. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales. No statutory or non-statutory accounts within the meaning of Section 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as any of the Class A Notes are admitted to trading on the Irish Stock Exchange's Regulated 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. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
5. Since 13 December 2013 (being the date of incorporation of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
6. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 21 March 2014.
7. The Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Code:

Class of Notes	ISIN	Common Code
Class A Notes	XS1028959325	102895932

8. From the date of this Prospectus and for so long as the Class A Notes are listed on the Irish Stock Exchange's Regulated Market, physical copies of the following documents may be inspected at the registered office of the Issuer during usual business hours, on any weekday (public holidays excepted):
 - (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;
 - (b) copies of the following documents:
 - (i) the Agency Agreement;
 - (ii) the Deed of Charge;
 - (iii) the Cash Management Agreement;

- (iv) the Master Definitions and Construction Schedule;
- (v) the Mortgage Sale Agreement;
- (vi) the Corporate Services Agreement;
- (vii) the Collection Account Declaration of Trust;
- (viii) the Bank Account Agreement;
- (ix) the Servicing Agreement;
- (x) the Back-Up Servicing Agreement;
- (xi) the Back-Up Cash Management Agreement;
- (xii) the Fixed Interest Rate Swap Agreement;
- (xiii) the Floating Interest Rate Swap Agreement; and
- (xiv) the Trust Deed.

9. Following the publication of the first Investor Report by no later than the 16th Business Day of August 2014, the Cash Manager on behalf of the Issuer will publish the Investor Report on a monthly basis detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the following website at www.aldermore.co.uk. In addition, further information in respect of individual loan level data may be obtained on the www.aldermore.co.uk website. The website and the contents thereof do not form part of this Prospectus. Investor Reports will also be made available to the Issuer, the Note Trustee, the Seller, the Fixed Interest Rate Swap Provider, the Floating Interest Rate Swap Provider, the Paying Agent, the Class A Noteholders and the Rating Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
10. The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
11. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent in connection with the Class A Notes and is not itself seeking admission of the Class A Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

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