IMPORTANT NOTICE

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

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

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

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

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Precise Mortgage Funding 2014-1 plc (the **Issuer**), Charter Court Financial Services Limited (**CCFS**), Credit Suisse Securities (Europe) Limited (the **Arranger**). Credit Suisse Securities (Europe) Limited and Deutsche Bank AG, London Branch (as **Joint Class A Lead Managers**) or Credit Suisse Securities (Europe) Limited (as **Sole Mezzanine Lead Manager** and, together with the Joint Class A Lead Managers, the **Lead Managers**) nor any person who controls any such person nor any director, officer, employee or agent of any such person or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from the Lead Managers.

PRECISE MORTGAGE FUNDING 2014-1 PLC

(*Incorporated in England and Wales with limited liability, registered number 9033084*)

Class of Notes	Initial Principal Amount	Issue Price	Reference Rate	Margin (payable up to and including the Optional Redemption Date)	Step-Up Margin (payable after the Optional Redemption Date)	Ratings (Fitch/S&P)	Final Maturity Date
Class A Notes	£199,700,000	100%	Three Month LIBOR*	0.800% per annum	1.200% per annum	AAAsf/AAA(sf)	The Interest Payment Date falling in September 2047
Class B Notes	£10,000,000	100%	Three Month LIBOR*	1.150% per annum	1.725% per annum	AAsf/AA(sf)	The Interest Payment Date falling in September 2047
Class C Notes	£15,000,000	100%	Three Month LIBOR*	1.400% per annum	2.100% per annum	Asf/A(sf)	The Interest Payment Date falling in September 2047
Class D Notes	£5,400,000	100%	Three Month LIBOR*	1.900% per annum	2.850% per annum	BBBsf/BBB+(sf)	The Interest Payment Date falling in September 2047
Class Z Notes	£4,900,000	100%	0.90% per annum	N/A	N/A	Not Rated	The Interest Payment Date falling in September 2047
Subordinated Notes	£6,903,000	100.956106040852%	0.90% per annum	N/A	N/A	Not Rated	The Interest Payment Date falling in September 2047

ARRANGER

Credit Suisse

JOINT CLASS A LEAD MANAGERS

Credit Suisse

and

Deutsche Bank AG, London Branch

SOLE MEZZANINE LEAD MANAGER

Credit Suisse

The date of this Prospectus is 18 July 2014

* Except in respect of the first Interest Period, where the Reference Rate will be the linear interpolation of LIBOR for one and three month deposits in Sterling.

Issue Date	The Issuer will issue the Notes in the classes set out above on or about 22 July 2014 (the **Closing Date**).
Standalone/ programme issuance	Standalone issuance.
Listing	This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the **Prospectus Directive**). This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**) as the competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes (together, the **Rated Notes**), the Class Z Notes and the Subordinated Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc (the **Irish Stock Exchange**) for the Notes to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Main Securities Market**). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.
Underlying Assets	The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue received from a portfolio comprising mortgage loans and their related security sold on the Closing Date (the **Initial Portfolio**), or to be sold on any Business Day from but excluding the Closing Date to and including the first Interest Payment Date, which the Seller notifies the Issuer to be the further portfolio sale date (the **Further Portfolio Sale Date**, and the portfolio sold on such Further Portfolio Sale Date, the **Further Portfolio**), by Buttermere plc (the **Seller**) and originated by CCFS (the **Originator**) under its trading name of Precise Mortgages (**Precise**) and secured over residential properties located in England, Wales and Scotland (the Initial Portfolio and the Further Portfolio together being the **Portfolio**) which will be purchased by the Issuer on the Closing Date or the Further Portfolio Sale Date (if any) (as the case may be). See the sections entitled "*Transaction Overview – Portfolio and Servicing*", "*The Loans*" and "*Characteristics of the Provisional Portfolio*" for further details.
Credit Enhancement	Credit enhancement of the Notes is provided in the following manner: • in relation to any Class of Notes (other than the Subordinated Notes and the Class Z Notes), the overcollateralisation funded by Notes ranking junior to such Class of Notes in the Priority of Payments (other than the Subordinated Notes); • the amount by which Revenue Receipts plus (in respect of the first Interest Payment Date only) the amounts credited to the Deposit Account on the Closing Date from part of the proceeds of the Subordinated Notes in an amount equal to the Prefunding Yield Maintenance Required Amount exceed the amounts required to pay interest on the relevant Class of Notes in accordance with the Pre-Enforcement Revenue Priority of Payments and all other amounts ranking in priority thereto; • prior to the service of an Enforcement Notice and in respect of the Rated Notes only, the availability of the Rated Note Reserve Fund Available Amount; and

- following service of an Enforcement Notice, all amounts credited to the Class A Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger, subject to application in accordance with the Post-Enforcement Priority of Payments.

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

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

- the subordination in payment of those Classes of Notes ranking junior in the Priority of Payments;
- (in respect of the first Interest Payment Date only) the Prefunding Yield Maintenance Required Amount;
- in respect of the Class A Notes only, the Principal Addition Amounts (as defined herein);
- in respect of the Class A Notes only, the availability of the amounts standing to the credit of the Class A Liquidity Reserve Fund; and
- in respect of the Rated Notes only, all amounts standing to the credit of the Rated Note Reserve Fund.

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

Redemption Provisions Information on any optional and mandatory redemption of the Notes is summarised on page 69 ("*Transaction Overview – Summary of the Terms and Conditions of the Notes"*) and set out in full in Condition 8 (*Redemption*) of the terms and conditions of the Notes (the **Conditions**).

Credit Rating Agencies Fitch Ratings Ltd. (**Fitch**), and Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited (**S&P**) (each a **Rating Agency** and together, the **Rating Agencies**). As of the date of this prospectus (the **Prospectus**), each of the Rating Agencies is a credit rating agency established in the European Union (the **EU**) and is registered under Regulation (EU) No 1060/2009 (the **CRA Regulation**).

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

- the likelihood of full and timely payment to the holders of the Rated Notes (the **Rated Noteholders**) of all payments of interest on each Interest Payment Date; and

- the likelihood of ultimate payment to the Rated Noteholders of principal in relation to the Rated Notes on or prior to the Final Maturity Date.

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

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

Retention Undertaking On the Closing Date, the Originator will, as an originator for the purposes of the CRR and the AIFM Regulation (each as defined below), retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of each of Article 405 of Regulation (EU) No 575/2013 (the **Capital Requirements Regulation** or **CRR**) and Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Manager Regulation (the **AIFM Regulation**) (which, in each case, does not take into account any corresponding national measures) (the **Retention**). As at the Closing Date, the Retention will be comprised of an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, in this case retention of the Class Z Notes and the Subordinated Notes, as required by the text of each of Article 405 of the CRR and Article 51 of the AIFM Regulation. Any change in the manner in which the interest is held will be notified to the Noteholders. See the section entitled "*Risk Retention*" for further information.

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

Significant Investor The Originator will on the Closing Date purchase 100 per cent. of the Class Z Notes and 100 per cent. of the Subordinated Notes.

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.

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 SWAP PROVIDER, THE ORIGINATOR, THE ARRANGER, THE JOINT CLASS A LEAD MANAGERS, THE SOLE MEZZANINE LEAD MANAGER, THE SERVICER, THE CASH MANAGER, THE ISSUER ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, HOLDINGS, THE CORPORATE SERVICES PROVIDER, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (TOGETHER, THE "RELEVANT PARTIES"). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE RELEVANT PARTIES OR BY ANY PERSON OTHER THAN THE ISSUER.

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

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

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

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)) (**U.S. PERSONS**) EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. FOR A

DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

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

NONE OF THE ISSUER NOR ANY RELEVANT PARTY 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.

EXCEPT AS SPECIFICALLY EXCLUDED THEREIN, CCFS ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*CHARTER COURT FINANCIAL SERVICES LIMITED*", "*THE LOANS*", "*CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO*", "*CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET*" AND "*RISK RETENTION*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF CCFS (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 CCFS AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE AND NOT SPECIFICALLY EXCLUDED THEREIN) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

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

ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

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

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

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

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

THE SWAP PROVIDER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE SWAP PROVIDER*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SWAP PROVIDER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH

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

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

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 ORIGINATOR, THE ARRANGER, THE JOINT CLASS A LEAD MANAGERS, THE SOLE MEZZANINE LEAD MANAGER OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE SELLER OR THE ORIGINATOR 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 ORIGINATOR, THE SELLER, THE JOINT CLASS A LEAD MANAGERS, THE SOLE MEZZANINE LEAD MANAGER OR THE ARRANGER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER, THE JOINT CLASS A LEAD MANAGERS, THE SOLE MEZZANINE LEAD MANAGER, THE SELLER, THE ORIGINATOR, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE HAVE SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE ARRANGER, THE JOINT CLASS A LEAD MANAGERS, THE SOLE MEZZANINE LEAD MANAGER, THE SELLER, THE ORIGINATOR, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLER, THE ORIGINATOR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE CLASS A JOINT LEAD MANAGERS, THE SOLE MEZZANINE LEAD MANAGER, THE ARRANGER, OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

PAYMENTS OF INTEREST AND PRINCIPAL IN RESPECT OF THE NOTES WILL BE SUBJECT TO ANY APPLICABLE WITHHOLDING TAXES WITHOUT THE ISSUER OR 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.

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

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

Forward-Looking Statements

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

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RISK FACTORS

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

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

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

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

Credit Structure

Liabilities under the Notes

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Relevant Parties or by any person other than the Issuer.

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 English Loans and the Scottish Loans (the **Loans**) in the Portfolio, interest earned on the Issuer Accounts (other than amounts representing interest earned on any Swap Collateral), income from any Authorised Investments (other than any amount of income received in respect of the Swap Collateral), the Class A Liquidity Reserve Fund, the Rated Note Reserve Fund (applied in accordance with the terms of the Cash Management Agreement), the net receipts under a swap agreement relating to the Swap Transaction between the Issuer and the Swap Provider (the **Swap Agreement**) and (in respect of the first Interest Payment Date only) the Prefunding Yield Maintenance Required Amount credited to the Revenue Ledger on the Closing Date. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation of the Issuer under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Assets following service of an Enforcement Notice is described below (see further "*Security and insolvency considerations*" below).

Limited recourse

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

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

(b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

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

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

Limitations on enforcement

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

Deferral of Interest Payments on the Notes

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) that would otherwise be payable absent the deferral provisions in respect of any Class of Notes (other than the Most Senior Class of Notes) after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with the Conditions. Any such deferral in accordance with the Conditions will not constitute an Event of Default.

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

Credit risk

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

Liquidity of the Issuer

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

Subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes and the Subordinated Notes

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

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

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

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

The Class Z Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to all payments due in respect of the Rated Notes. On or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, payments of principal on the Class Z Notes will be subordinated to payments of interest on the Subordinated Notes, as provided in the Conditions and the Transaction Documents.

The Subordinated Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to all payments due in respect of the Rated Notes and (except as provided below) the Class Z Notes.

On or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, payments of interest on the Subordinated Notes will be paid in priority to payments of principal on the Class Z Notes, as provided in the Conditions and the Transaction Documents.

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

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

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

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

Revenue and Principal Deficiency Ledger

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts (excluding for such purposes any Principal Addition Amounts), and after applying any Rated Note Reserve Fund Liquidity Release Amount, there would be a Senior Expenses Deficit, the Issuer shall apply Available Redemption Receipts (if any) in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments to cure such Senior Expenses Deficit (such reapplied amounts, **Principal Addition Amounts**). Available Redemption Receipts may only be redirected as Principal Addition Amounts and applied as Available Revenue Receipts to cover such Senior Expenses Deficit (arising as a result of any inability to pay amounts due in respect of interest on the Class A Notes and certain prior ranking payments). The Issuer will not be able to use Available Redemption Receipts to pay interest on any other Class of Notes to the extent Available Revenue Receipts and Rated Note Reserve Fund Liquidity Release Amounts are not sufficient.

Application of any Available Redemption Receipts as Principal Addition Amounts (in addition to the aggregate of (i) all realised losses on the Loans which are not recovered from the proceeds following the sale of the Property to which such Loan relates and (b) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Loan (together, the **Losses**)) will be recorded first on the Class Z Principal Deficiency Sub-Ledger until the balance of the Class Z Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class Z Notes then outstanding, and next on the Class D Principal Deficiency Sub-Ledger until the balance of the Class D Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class D Notes then outstanding, and next on the Class C Principal Deficiency Sub-Ledger until the balance of the Class C Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class C Notes then outstanding, and next on the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding, and next on the Class A Principal Deficiency Sub-Ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, any principal deficiencies (should they arise) will be recouped from Available Revenue Receipts (including the Rated Note Reserve Fund Available Amount). Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Enforcement Revenue Priority of Payments, to credit first the Class A Principal Deficiency Sub-Ledger, second the Class B Principal Deficiency Sub-Ledger, third the Class C Principal Deficiency Sub-Ledger, fourth the Class D Principal Deficiency Sub-Ledger and fifth the Class Z Principal Deficiency Sub-Ledger. In addition, to the extent that the Rated Notes have not been redeemed in full on any Interest Payment Date falling on or after the Optional Redemption Date, amounts of Available Revenue Receipts applied as Enhanced Amortisation Amounts, being any remaining Available Revenue Receipts after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments until the Principal Amount Outstanding of the Rated Notes has been reduced to zero. Any Available Revenue Receipts applied as Enhanced Amortisation Amounts will be recorded as a credit to the Principal Deficiency Ledger. The balance standing to the credit of the Principal Deficiency Ledger as a result of Enhanced Amortisation Amounts (if any) shall be reduced to the extent of any future Losses arising in respect of the Portfolio.

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

- the Available Revenue Receipts, any Rated Note Reserve Fund Liquidity Release Amounts and Available Redemption Receipts may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes; and

- there may be insufficient Available Revenue Receipts and Available Redemption Receipts to repay the Notes on or prior to the Final Maturity Date of the Notes.

LIBOR

Following concerns raised by a number of regulators that some of the member banks surveyed by the British Bankers' Association (the **BBA**) in connection with the calculation of LIBOR across a range of maturities and currencies may have been manipulating the inter-bank lending rate, a review of LIBOR was conducted at the request of the UK Government which concluded with the publication of a report setting out a number of recommendations for changes with respect to LIBOR (including the introduction of statutory regulation of LIBOR, replacing the BBA as administrator of LIBOR with an independent administrator, changes to the method of compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate-setting) in September 2012 (the **Wheatley Report**).

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

Interest Rate Risk

The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Notes. Some of the Loans in the Portfolio pay or will pay a fixed rate of interest for an initial period of time. However, the Issuer's liabilities under the Rated Notes are based on LIBOR for the relevant period.

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) the rate of interest under the Rated Notes being calculated by reference to LIBOR, the Issuer will enter into a swap transaction (the **Swap Transaction**) with the Swap Provider under the Swap Agreement on the Closing Date in order to mitigate the risk (see "*Credit Structure – Interest Rate Risk for the Notes*" below).

A failure by the Swap Provider to make timely payments of amounts due under the Swap Transaction will constitute a default under the Swap Agreement. The Swap Agreement provides that the Sterling amounts owed by the Swap Provider on any payment date under the Swap Transaction (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer on the same payment date under the Swap Transaction. Accordingly, if the amounts owed by the Issuer to the Swap Provider on a payment date in respect of the Swap Transaction are greater than the amounts owed by the Swap Provider to the Issuer on the same payment date under the Swap Transaction, then the Issuer will pay the difference to the Swap Provider on such Interest Payment Date in respect of the Swap Transaction; if the amounts owed by the Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to the Swap Provider on the same payment date in respect of the Swap Transaction, then the Swap Provider will pay the difference to the Issuer on such Interest Payment Date; and if the amounts owed by both parties are equal on a payment date in respect of the Swap Transaction, neither party will make a payment to the other on such Interest Payment Date in respect of the Swap Transaction. To the extent that the Swap Provider defaults in its obligations under the Swap Agreement to make payments to the Issuer in Sterling, on any payment date (which corresponds to an Interest Payment Date), under the Swap Transaction the Issuer will be exposed to the possible variance between various fixed rates payable on the Loans in the Portfolio and LIBOR.

The Issuer pays a fixed rate under the Swap Transaction. This fixed rate is not intended to be an exact match of the interest rates that the Issuer receives in respect of the Loans that pay fixed rates in the Portfolio as the notional balance of the Swap Transaction is based on the Current Balance of the Fixed Rate Loans at the start of the relevant Collection Period ending immediately prior to the relevant Interest Payment Date (disregarding any Fixed Rate Loans which are Enforced Loans). As such, there may be circumstances in which the rate payable by the Issuer under the relevant Swap Transaction exceeds the amount that the Issuer receives in respect of the Loans that pay fixed rates in the Portfolio.

The Issuer has not entered into any interest rate swap or other hedging transaction in relation to Loans other than Fixed Rate Loans, and as a result there is no hedge in respect of the risk of any variances in the Floating Mortgage Rate (being referable to LIBOR, fixed on the same reset dates as payments under the Notes, or BBR) charged on any Loans in the Portfolio and interest set by reference to the three month LIBOR (the **Reference Rate**) on the Rated Notes which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors. As such, the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Notes. However, because LIBOR used in determining the Floating Mortgage Rate charged on Loans in respect of which the interest payable thereon is set by reference to LIBOR and the Reference Rate in respect of the Rated Notes are reset on the same date, the risk of such mismatch is limited to those Floating Rate Loans under which interest is payable by reference to BBR. The Loans contained in the Provisional Portfolio paying interest by reference to BBR, or that shall pay interest by reference to BBR following their initial fixed rate period, correspond to approximately 0.25 per cent. by Current Balance as at the Portfolio Reference Date of all Loans in the Provisional Portfolio.

Termination payments under the Swap Transaction

Subject to the following, the Swap Agreement will provide that, upon the occurrence of certain events, the Swap Transaction may terminate and a termination payment by either the Issuer or the Swap Provider may be payable, the amount of such payment may reflect, among other things, the cost of entering into a replacement transaction at the time and third party market data such as rates, prices, yields and yield curves, or similar information derived from internal sources of the party making the determination. Any termination payment due by the Issuer (other than (where applicable) in respect of any Hedge Subordinated Amounts), to the extent such termination payment is not satisfied by amounts standing to the credit of the Swap Collateral

Account which are available to meet such termination payment in accordance with the Swap Collateral Account Priority of Payments, will rank prior to payments in respect of the Notes. As such, if any termination amount is payable and is not satisfied by amounts applied in accordance with the Swap Collateral Account Priority of Payments, payment of such termination amounts may lead to a shortfall in amounts available to pay interest and principal on all the Notes.

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

No assurance can be given as to the ability of the Issuer to enter into one or more replacement swap transactions, or if one or more replacement swap transactions are entered into, as to the ultimate creditworthiness of the Swap Provider for the replacement swap transactions.

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

The yield to maturity on the Notes will depend on, among other things, the amount and timing of payment of principal and interest on the Loans. Prepayments on the Loans may result from early repayment of the Loans by the relevant Borrower (whether through refinancing or otherwise), sales of Properties by Borrowers (voluntarily or as a result of enforcement proceedings under the relevant Mortgages), as well as the receipt of proceeds under any applicable insurance policies. The yield to maturity of the Notes may be adversely affected by, among other things, a higher or lower than anticipated rate of prepayments on the 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, local and regional economic conditions and homeowner mobility. However, the rate of payment cannot be predicted. Subject to the terms and conditions of the Loans, a Borrower may "overpay" or prepay principal at any time. No assurance can be given as to the level of prepayments that the Portfolio will experience. Accelerated prepayments will lead to a reduction in the weighted average life of the Notes. See also the section entitled "*The Loans Overpayments and Early Repayment Charges*". Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease, borrowers (in particular those paying by reference to a fixed interest rate, where there are no or minimal associated early repayment charges) are generally more likely to prepay their mortgage loans. 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 should a Borrower elect, subject to the agreement of the Originator 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. If the Seller and the Originator are required, on a joint and several basis, to repurchase a Loan and its Related Security because, for example, one of the Loans does not comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the relevant Loans. In addition any money standing to the credit of the Prefunding Reserve Ledger on the first Interest Payment Date which has not been used to acquire the Further Portfolio from the Seller on the Further Portfolio Sale Date will be applied on the first Interest Payment Date as Available Redemption Receipts towards the redemption of the Notes, subject to having provided for any items ranking in priority in the Pre-Enforcement Redemption Priority of Payments. As a result of these and other relevant factors not being within the control of the Issuer, no assurance can be given as to the timing or level of redemptions of the Notes.

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

The Seller or the Originator may, subject to certain conditions (including that the entity purchasing the Loans and their Related Security has sufficient amounts available for such purpose and that the Issuer consents to such repurchase), repurchase the Portfolio on any Business Day falling (a) on or after the Cut-Off Date and on or before the Calculation Date immediately preceding an Interest Payment Date falling on or after the Optional Redemption Date (such period being an **Optional Repurchase Period**) or (b) on and from any Cut-Off Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date but on or before the Calculation Date after such Cut-Off Date (the date such repurchase occurs, the **Optional Repurchase Date**). The Issuer may, subject to certain conditions, redeem all of the Notes (a) on any Interest Payment Date on and from the Optional Redemption Date or (b) on any Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date. Neither the Seller nor the Originator is required to repurchase the Portfolio and the Issuer is not required to accept any such offer to repurchase. As such, no assurance can be given that the Notes will be redeemed in full on or following the Optional Redemption Date as a result of a repurchase of the Portfolio by the Seller or the Originator or on any Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer or the Swap Provider being required to make a deduction or withholding for or on account of tax or as a result of certain illegality events. This may adversely affect the yield to maturity on the Notes.

Absence of secondary market

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

Ratings of the Rated Notes

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

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

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

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

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

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

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

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

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

Where the Transaction Documents allow the Note Trustee or the Security Trustee to seek a Rating Agency Confirmation and a written request for such Rating Agency Confirmation or response is delivered to each

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

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

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

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including the Conditions and the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) the other Transaction Documents to which it is a party or in respect of which (in the case of the Security Trustee) it holds security. In respect of and at any time after the service of an Enforcement Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such proceedings or steps (including, but not limited to, the giving of an Enforcement Notice in accordance with Condition 11 (*Events of Default*) or Residual Certificates Condition 10 (*Events of Default*)) unless it should have been directed to do so by the holders of the Most Senior Class of Notes (or if no Notes remain outstanding, of the Residual Certificates then in issue) and it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

See further "*Terms and Conditions of the Notes* – Condition 12 (*Enforcement*)" and "*Terms and Conditions of the Residual Certificates* – Condition 11 (*Enforcement*)" below.

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

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

Meetings of Noteholders and Certificateholders, Modification and Waivers

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

The Conditions and the Residual Certificates Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors, to (a) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions, the Residual Certificates Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, or, as the case may be, the Security Trustee, materially prejudicial to the interests of the Noteholders or, if there are no Notes outstanding, the Certificateholders or (b) any modification 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. The Conditions and Residual Certificates Conditions also specify that certain categories of amendments (including changes to majorities required to pass resolutions or quorum requirements) would be classified as Basic Terms Modifications. Investors should note that a Basic Terms Modification is required to be sanctioned by an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or the Residual Certificates then in issue, as applicable which are affected by such Basic Terms Modifications unless the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and the holders of the Residual Certificates then in issue. The Conditions and the Residual Certificates Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, shall, without the consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, agree (and where applicable direct the Security Trustee to agree) to any modification to the Conditions or the Residual Certificates Conditions requested by the Issuer in order for it to comply with any requirements which apply to it under Regulation (EU) 648/2012, commonly known as the European Market Infrastructure Regulation (**EMIR**). The Note Trustee and/or the Security Trustee may also, without the consent of the Noteholders or the Certificateholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders or if no Notes are outstanding, the Certificateholders, at any time authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions or the Residual Certificates Conditions. See "*Terms and Conditions of the Notes* – Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*)" and "*Terms and Conditions of the Residual Certificates* – Residual Certificates Condition 12 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*)" below.

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

Rights of Noteholders, Certificateholders and Secured Creditors

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 all Classes of Noteholders 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 or, as the case may be, the Security Trustee's opinion, however, there is or may be a conflict between the interests of the holders of one or more Classes of Notes, on the one hand, and the interests of the holders of one or more Classes of Notes, on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the holders of the relevant affected Class of Notes ranking in priority to other relevant Classes of Notes in the Pre-Enforcement Redemption Priority of Payments (disregarding, for such purposes, paragraphs (f) and (g) of the Pre-Enforcement Redemption Priority of Payments).

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

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

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

Conflict between Noteholders, Certificateholders and other Secured Creditors

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

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

Risks related to the Mortgages

Claims against third parties

The Seller has assigned its causes and rights of actions against solicitors and valuers to the Issuer pursuant to the Mortgage Sale Agreement, to the extent that they are assignable. However the Seller was not the originator of the related Loan, and the said rights may therefore not have been effectively assigned to it by the Originator. The Issuer may therefore not have any direct rights against any solicitors or valuers who, when acting for the Originator in relation to the origination of any Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Seller and the Originator pursuant to the Mortgage Sale Agreement have undertaken, where appropriate, to either instigate action against such solicitor or valuer, provided that the Issuer first indemnifies the Seller or the Originator, as applicable, for the costs of taking such action, and subject to any limitations or conditions contained in the relevant documentation under which the Seller acquired title to the related Loan. Any failure by or inability of the Seller and/or the Originator to take action against third parties may have an adverse effect on the Issuer's ability to make payments of interest and/or principal in respect of the Notes.

Originator to initially retain legal title to the Loans and risks relating to set-off

As the sale by the Originator to the Seller of the English Loans and their Related Security takes effect in equity only and the sale by the Originator to the Seller of the Scottish Loans was made pursuant to certain Scottish declarations of trust created in favour of the Seller, the Seller only has a beneficial interest in the Loans and their Related Security. The sale by the Seller to the Issuer of the English Loans and their Related Security (until legal title is conveyed) also takes effect in equity only. The sale by the Seller to the Issuer of the Scottish Loans and their Related Security is given effect to by the Seller (as beneficiary) directing the Originator (as trustee) to terminate the existing Scottish declaration of trust created in favour of the Seller in relation to the Scottish Loans and their Related Security and to thereafter hold the Scottish Loans and their Related Security on trust pursuant to a Scottish Declaration of Trust by the Originator in favour of the Issuer. By virtue of the Scottish Declaration of Trust, the beneficial interest in such Scottish Loans and their Related Security is held on trust by the Originator for the benefit of the Issuer. The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales.

In each case, this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Originator until certain perfection trigger events occur under the terms of the Mortgage Sale Agreement (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*", below). The Issuer has not applied, and prior to the occurrence of a Perfection Event will not apply, to the Land Registry to register or record its equitable interest in the English Mortgages and will not apply to the General Register of Sasines or Land Register of Scotland (as appropriate) (together the **Registers of Scotland**) to register or record its beneficial interest in the Scottish Mortgages pursuant to each Scottish Declaration of Trust.

Further, unless (i) notice of the assignment was given to the Borrowers in respect of the English Loans and their Related Security, and (ii) an assignation of the Scottish Loans and their Related Security is effected by the Originator to the Issuer and notice thereof is then given to the Borrowers in respect of the Scottish Loans and their Related Security, equitable or independent set-off rights may accrue in favour of any Borrower against his or her obligation to make payments to the Originator 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 any applicable Borrower may become entitled to after the transfer. Where notice of the assignment or assignation is given to any 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. For the purposes of this Prospectus, references herein to **set-off** shall be construed to include analogous rights in Scotland. For further information on the effects of set-off in relation to the Portfolio, see below "Set-off may adversely affect the value of the Portfolio or any part thereof".

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby, a *bona fide* purchaser from the Originator 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 Originator of its contractual obligations or from fraud, negligence or mistake on the part of the Seller or the Originator or any of its respective personnel or agents.

Until notice of the assignment or assignation 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 Originator 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 Originator. However, the Originator and the Seller will each 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.

For so long as the Issuer does not have legal title to the Loans and their Related Security, the Originator will undertake in the Mortgage Sale Agreement 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 and the Issuer will have power of attorney to act in the name of the Originator, in respect of which please see the section entitled "*The Loans – Characteristics of the Loans – Title to the Portfolio*" for further details.

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

As described above, the sale by the Seller to the Issuer of the English Loans and their Related Security will be given effect by an assignment and the sale of the Scottish Loans and their Related Security being given effect under each Scottish Declaration of Trust. As a result, legal title to the Loans and their Related Security sold by the Seller to the Issuer will remain with the Originator until the occurrence of a Perfection Event under the terms of the Mortgage Sale Agreement. Therefore, the rights of the Issuer may be subject to certain set-off rights which the relevant Borrower has against the Originator.

The Borrowers may be entitled to exercise certain independent or equitable set-off rights against the Issuer. Independent set-off will arise in connection with transactions that are unconnected with the relevant Borrower's Loan. Generally, an independent right of set-off could include, but is not limited to, claims by a Borrower for unpaid wages, pension liabilities or balances standing to the credit of savings and deposit accounts (though the Seller will represent and warrant that the Borrowers are not employees of the Originator or the Seller). The Originator is not a deposit-taking institution and is not authorised to hold client money as at the date of this Prospectus. However, the Originator has applied to the PRA for a Part 4A FSMA permission to become a deposit-taking institution, although no assurance can be given as to the timing or likely outcome of the PRA's decision. If the Originator became a credit institution and a Borrower opened a deposit account with the Originator following the Closing Date, the Borrower in the event of the insolvency of the Originator, may be able to set-off any amounts held in the relevant deposit account against amounts owed by the Borrower pursuant to the Loan. The giving of notice to the Borrower would crystallise the Borrower's entitlement to set-off amounts as of the date of receipt of the relevant notice.

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. If the Originator became a credit institution, it is likely that the majority of deposits made by Borrowers with the Originator will be covered by the FSCS which gives the Borrower protection up to the FSCS limit (as at the date of this Prospectus being £85,000). The Originator will be required pursuant to the terms of the Mortgage Sale Agreement to promptly notify the Servicer, Issuer and Security Trustee (with a copy to the Rating Agencies) on becoming aware of any loan that is a Significant Deposit Loan, (being a Loan in respect of which the relevant Borrower has a deposit account with the Originator for an amount in excess of £85,000 (or such other amount as set by the FSCS from time to time) before notice of the transfer of legal ownership of that

Borrower's Loan to either the Issuer or another third party is given) and will be required to repurchase any Loans in the Portfolio that are Significant Deposit Loans on the immediately preceding Cut-Off Date.

Equitable set-off rights may arise in connection with a transaction connected with the Loan. An equitable right of set-off could arise where the Originator has failed to make a Further Advance to the Borrower having made a commitment to do so, where the Originator has agreed to Port a Loan or becomes bound to agree to a Port in accordance with the relevant Mortgage Conditions or where the Originator is in breach of contract under the relevant Loan. The Seller will represent and warrant in the Mortgage Sale Agreement that the terms and conditions of the Loans do not require the Originator to agree to any Further Advance. £498,990.43 of the Loans in the Provisional Portfolio do permit the relevant Borrowers to Port at their discretion (or move their Loan to a new property). Should a Further Advance or a Port or Product Switch be agreed or the Originator be bound to agree to a Port in accordance with the Mortgage Conditions, the Seller or the Originator would be required to repurchase the relevant Loan pursuant to the terms of the Mortgage Sale Agreement. The Seller and the Originator are jointly and severally liable for the repurchase of the relevant Loan.

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

The relevant Borrower may set off any claim for damages arising from the Originator's breach of contract against the Originator's (and, as equitable assignee of or holder of the beneficial interest in the Loans and their Related Security, the Issuer's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. These set-off claims will constitute transaction set-off, as described above.

The amount of any such claim against the Originator for equitable set-off will, in many cases, be the cost to the Borrower of finding an alternative source of funds. For example in the case of a failure by the Originator to make a Further Advance having become bound to do so, the Borrower could, where the Seller and the Originator have not repurchased the relevant Loan, set off against the Issuer any additional cost of funding incurred in borrowing an amount equal to the relevant Further Advance. In addition, where the Originator has failed to effect the Port, having committed to do so, the Borrower could set off against the Issuer, where the Seller and the Originator have failed to repurchase the relevant Loan, the difference between the rate of interest on the Loan and the interest rate at which the Borrower could borrow money in the market on the new property. In addition to the difference in the cost of borrowing, the relevant Borrower could also set off any direct losses arising from the Originator's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

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

The exercise of set-off rights by Borrowers may adversely affect the timing of receipt and ultimate amount received by the Issuer in respect of the relevant Loans and the realisable value of the Portfolio and/or the ability of the Issuer to make payments under the Notes.

Characteristics of the Portfolio

The information in the section headed "*Characteristics of the Provisional Portfolio*" has been extracted from the systems of the Originator as at 31 May 2014 for loans originated on or prior to 31 May 2014, and as at the date of the origination for loans originated after 31 May 2014 but prior to 21 June 2014 (the **Portfolio Reference Date**). The Provisional Portfolio as at the Portfolio Reference Date comprised of 1,484 loans with a current balance of £203,288,784.75. The portfolio that will be sold to the Issuer on the Closing Date (the **Initial Portfolio**) will be representative of the Seller's portfolio of loans which comply with the Loan Warranties as at 1 July 2014. The characteristics of the Initial Portfolio will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of Loans and the removal of any Loans from the Portfolio that do not comply with the Loan Warranties as at 1 July 2014. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Portfolio between the Portfolio Reference Date and the Closing Date.

The Issuer may purchase the Further Portfolio from the Seller on the Further Portfolio Sale Date (being any Business Day from but excluding the Closing Date to and including the first Interest Payment Date) using funds standing to the credit of the Prefunding Reserve Ledger. The purchase of the Further Portfolio from the Seller on the Further Portfolio Sale Date may result in the Loans comprised in the Portfolio (including the Further Portfolio) having different characteristics from those Loans comprised in the Initial Portfolio and set out in this Prospectus.

Servicing and Third Party Risk

Issuer Reliance on Other Third Parties

The Issuer is also a party to contracts with a number of other third parties who have agreed to perform services in relation to the Issuer and/or Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Issuer Account Bank has agreed to provide the Issuer Account to the Issuer pursuant to the Bank Account Agreement, the Swap Provider has agreed to enter into the Swap Transaction pursuant to the terms of the Swap Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in their place promptly thereafter, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

The Transaction Documents do not contain any restrictions on the ability of any third party providing services to the Issuer to change their business plans and strategies and access other business lines or markets after the Closing Date. Any changes of the business plans and strategies of a third party service provider could expose that third party to additional risks (including regulatory, operational and systems risk) which could have an adverse effect on the ability of the third party to provide services to the Issuer and consequently could have an adverse effect on the Issuer's ability to perform its obligations under the Notes.

The Servicer

CCFS will be appointed by the Issuer as Servicer to service the Loans and their Related Security. If the Servicer breaches the terms of the Servicing Agreement, then (prior to the delivery of an Enforcement Notice and with the prior written consent of the Security Trustee) the Issuer or (after delivery of an Enforcement 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 Issuer and the Seller shall use their reasonable endeavours to appoint a new servicer in its place whose appointment is approved by the Security Trustee.

The aggregate liability of the Servicer in respect of any claim arising out of or in connection with the Servicing Agreement shall, except in respect of the Servicer's fraud, Gross Negligence or wilful default or that of its officers, directors or employees in the performance of its obligations under the Servicing Agreement, (i) be limited to £1,500,000 for so long as the Servicer is appointed under the Servicing Agreement and (ii) not include any claim for any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings or for any special indirect or consequential damage of any nature whatsoever.

In the event that the Issuer suffers a loss in respect of the Portfolio, or becomes liable to a third party, in each case as a result of any claim arising out of or in connection with the performance (or non-performance) of the Servicer's duties and obligations under the Servicing Agreement and the Servicer is liable to the Issuer for such acts or omissions pursuant to the terms of the Servicing Agreement, any loss over and above the liability cap set out in the Servicing Agreement (to the extent enforceable under applicable law and other than as a result of the fraud, Gross Negligence or wilful default of the Servicer or that of its officers, directors or employees) may be irrecoverable by the Issuer. This may result in less proceeds being available to meet the obligations of the Issuer in respect of the Notes.

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

If a Servicer Termination Event occurs, there can be no assurance that a substitute servicer with sufficient experience of servicing the Loans and their Related Security would be found who would be willing and able to service the Loans and their Related Security on the terms, or substantially similar terms, set out in the Servicing Agreement. Further, it may be that the terms on which a substitute servicer may be appointed are substantially different from those set out in the Servicing Agreement and the terms may be such that the Noteholders may be adversely affected. In addition, as described below, any substitute servicer will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the **FSMA**) in order to service Loans and their Related Security that constitute Regulated Mortgage Contracts under the FSMA. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

In addition, Noteholders should be aware that the Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion.

For further details on the arrangements with the Servicer, please see "*Summary of the Key Transaction Documents – Servicing Agreement*" below.

Change of counterparties

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

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

Certain material interests and potential for conflicts

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

Certain conflicts of interest involving or relating to the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager and their respective affiliates

Credit Suisse Securities (Europe) Limited and its affiliates (the **Credit Suisse Parties**) and Deutsche Bank AG and/or its affiliates (the **Deutsche Bank Parties**) will play various roles in relation to the offering of the Rated Notes, including, in the case of the Credit Suisse Parties, acting as the structurer of the transaction and in other roles described below.

The Credit Suisse Parties and Deutsche Bank Parties may assist clients and counterparties in transactions related to the Rated Notes (including assisting clients in future purchases and sales of the Rated Notes and hedging transactions) and such Credit Suisse Parties and Deutsche Bank Parties would expect to earn fees and other revenues from these transactions.

The Credit Suisse Parties and the Deutsche Bank Parties are each part of global investment banking and securities and investment management firms that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high net worth individuals. As such, they actively make markets in and trade financial instruments for their own account and for the accounts of customers in the ordinary course of their business. The Credit Suisse Parties and the Deutsche Bank Parties may each have positions in or may have arranged financing in respect of the Notes or the Loans in the Portfolio and may have provided or may be providing investment banking services and other services to the other transaction parties.

Each of the Credit Suisse Parties and the Deutsche Bank Parties may act in its own respective commercial interests in its various capacities without regard to whether its interests conflict with those of the holders of the Notes, the Residual Certificates or any other party.

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

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

The Portfolio

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 low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies (and analogous arrangements) of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time. A valuation was obtained by the Originator on or about the time of origination of each Loan, and, in certain circumstances, an updated valuation of a Property may be obtained or determined by the Originator, see "*The Loans*".

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

Near-Prime Borrowers

The Portfolio comprises certain Loans made to Borrowers who may have impairments to their credit profile, such as a single county court judgment (or a Sheriff Court decree, being the Scottish equivalent of a county court judgment) up to a maximum of £1,000 in the year prior to origination or £2,500 in the two years prior to origination, or missed prior mortgage payments(s), up to a maximum of one in the year prior to origination or three in the three years prior to origination, such that they would not qualify as prime borrowers for the purposes of taking out mortgage loans with a mainstream bank or building society (such borrowers, **Near-Prime Borrowers**). Loans made to Near-Prime Borrowers may experience higher rates of delinquency, write-offs and enforcement than have historically been experienced by mortgage loans made to prime borrowers and therefore carry a higher degree of risk.

The Issuer has been informed by the Originator that the Loans have been underwritten generally in accordance with the underwriting standards described in the section entitled "*The Loans*" below. Those underwriting standards consider, among other things, a borrower's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property. Those underwriting standards are used with a view, in part, to mitigating the risks in lending to Near-Prime Borrowers. In addition, the Seller has represented and warranted in the Mortgage Sale Agreement that prior to the granting of each Loan, the Lending Criteria and all other conditions precedent to making the Loan were satisfied in all material respects (subject to such exceptions as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender). In addition, while limited credit impairment is possible, a prospective Borrower that has failed to honour its previous secured loan commitments more than three times in the previous three years or under a county court judgement in excess of £2,500 in the previous two years would not be eligible under the current lending criteria.

Near-Prime Borrowers are generally considered less likely than prime borrowers to make payments on a timely basis or in full under the relevant mortgage Loans. Any failure by the Borrowers (whether as a result of their status as Near-Prime Borrowers or otherwise) to make payments under their relevant Loans could have an adverse effect on the ability of the Issuer to make payments of interest and/or principal in respect of the Notes.

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

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

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or 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. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment rates and higher losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and/or principal on the Notes.

Declining property values

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

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

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

Geographic Concentration Risks

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

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). The Initial Portfolio contains 0.03% Interest-only Loans (other than Buy-To-Let Loans), calculated on the basis of the Current Balance of the Initial Portfolio as at the Portfolio Reference Date. Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, it is generally recommended that borrowers ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. The Seller does not have and the Issuer shall not have the benefit of any investment policies taken out by Borrowers.

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

The Seller has required (where the loan is a residential loan but not where it is a loan taken out by a borrower in relation to the purchase or re-mortgage of a property for letting purposes (a **Buy-To-Let Loan**)), that such policies be established with respect to any Interest-only Loans; however the Seller has not required the benefit of any such policies to be assigned to it. The only security that exists will therefore be the Mortgage covering the Property. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the Borrower's age and employment status, the financial condition and payment history of the Borrower, tax laws and prevailing general economic conditions. In recent times, mortgage lenders have maintained stricter conditions to the advancing of interest-only loans (and other loans) which are mortgages. The inability of the Borrowers to refinance their respective Properties may ultimately result in a reduction of amounts available to the Issuer and adversely affect its ability to make payments under the Notes.

Borrowers of interest-only loans may not make payment of the premiums due on any relevant investment or life policy taken out in relation to repayment of the relevant interest only mortgages in full or on time, which policies may therefore lapse, and/or no further benefits may accrue thereunder. In certain cases, the policy may be surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not be applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-only Loan (as defined in "*The Loans – Repayment Terms*" below) at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, Personal Equity Plans (PEPs), Individual Savings Accounts (ISAs) or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest-only Loan and a loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured from Available Revenue Receipts being applied for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.

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

Buy-To-Let Loans

Some of the Loans in the Initial Portfolio are Buy-To-Let Loans and some of the Loans in the Further Portfolio may be Buy-To-Let Loans in relation to which the Borrower's ability to service such Loans is likely to depend on the Borrower's ability to lease the relevant Properties on appropriate terms. There can be no assurance that each such Property will be the subject of an existing tenancy when the relevant Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Loan and/or that the rental income from such tenancy will be sufficient (whether or not there is any default of payment in rent) to provide the Borrower with sufficient income to meet the Borrower's interest obligations or capital repayments in respect of the Loan. Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of the Property, in which case the Servicer will only be able to sell the Property as an investment property with one or more sitting tenants. This may affect the amount which the Servicer could realise upon enforcement of the Mortgage and the sale of the Property. In such a situation, amounts received in rent may not be sufficient to cover all amounts due in respect of the Loan. However, enforcement procedures in relation to such Mortgages (excluding any Scottish Mortgages) include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Property and apply them accordingly in payment of any interest and arrears accruing under the Loan. Under Scots law, a receiver cannot be appointed under a standard security (the Scottish equivalent to a legal mortgage) and the only enforcement which may be carried out under a standard security is a full enforcement of the security (i.e. it cannot be enforced selectively by, for instance, attaching to rental income). Accordingly, in Scotland, any attempt to secure the rental flows will depend upon the enforcement of the standard security.

Insurance Policies

The Mortgage Conditions require borrowers to have buildings insurance for the relevant Property. However, it will be difficult in practice for the Servicer and/or the Issuer to determine whether the relevant Borrower has valid insurance in place at any time. The Issuer will also have the benefit of Properties in Possession Cover, Lender Interest Only Cover and Failure to Insure Cover, which will give the Issuer certain protection should the relevant Borrower not have any valid insurance in place. However, no assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts or contingent insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to make payment of interest and/or principal in respect of the Notes.

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 the sale of the Further Portfolio on the Further Portfolio Sale Date (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" below for a summary of these).

Neither the Note Trustee, the Security Trustee, the Arranger, the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager, 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. Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. 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, in respect of the Further Portfolio, as at the Further Portfolio Sale Date, which breach is not remedied in accordance with the Mortgage Sale Agreement, will be to require the Seller or the Originator to repurchase any relevant Loan and its Related Security in accordance with the repurchase provisions in the Mortgage Sale Agreement. The Seller and the Originator are jointly and severally liable for any repurchase. However, there can be no assurance that the Seller or the Originator will have the financial resources to honour such obligations under the Mortgage Sale Agreement. In each case, none of the Issuer, the Security Trustee or the Note Trustee will have recourse to any other person in the event that the Seller or the Originator, for whatever reason, fails to meet such obligations. Furthermore, although the Seller and the Servicer have undertaken, pursuant to the Mortgage Sale Agreement and Servicing Agreement, to notify the Issuer (and, if applicable, the Servicer) upon becoming aware of a breach of any Loan Warranty, there shall be no obligation on the part of the Seller or the Servicer to monitor compliance of the Loans with the Loan Warranties following the Closing Date or the Further Portfolio Sale Date, as applicable. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

No additional sources of funds after the Optional Redemption Date

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

Limited Resources of the Seller

The Seller will agree, pursuant to the Mortgage Sale Agreement on a joint and several basis with the Originator, to repurchase Loans and their Related Security in certain circumstances (as more particularly set out in "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" below). The Seller is a special purpose warehousing vehicle with limited assets and funds and as such will have, after having satisfied its obligations to pay its secured creditors, limited resources available to it to repurchase any Loans if required pursuant to the terms of the Mortgage Sale Agreement or to make any indemnity payments under the Mortgage Sale Agreement or any other Transaction Document. In those circumstances, only the Originator will be available to repurchase such Loans and their Related Security.

Certain Regulatory considerations

FCA Regulation of Mortgage Business

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

A credit agreement is a **Regulated Mortgage Contract** under the FSMA if, at the time it is entered into on or after N(M), (a) the borrower is an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage (or Scottish first ranking standard security) on land (other than timeshare accommodation) in the UK 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 borrower with whom the borrower has a relationship which is characteristic of a spouse). In general, buy-to-let credit agreements entered into on or after N(M) should not be Regulated Mortgage Contracts.

On and from N(M), 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 the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as the Originator) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards by whom promotions can be issued or approved) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

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

The Servicer holds authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated

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

In addition the Issuer is not required to be authorised by the FCA under Part 4A of the FSMA in order to hold beneficial title to the Loans. As at the Closing Date the Issuer will only hold beneficial title to the Loans. In the event that legal title is transferred to the Issuer upon the occurrence of a Perfection Event, in respect of consumer credit, the Issuer expects that it will be exempt from carrying on a regulated activity under article 60B(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, on the basis that the Issuer will have appointed a servicer in respect of the Loans and the Issuer is not expected to grant credit. Consumer credit will likely fall within the exemption under paragraph 55 of the Financial Services and Markets Act 2000 (Exemption) Order 2001; as such the Issuer will not require, and does not propose to obtain, authorisation under Part 4A of the FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. In addition, on and after N(M), no variation has been or will be made to the Loans where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

The FSA's 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, *inter alia*, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. Further rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, 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 (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts are not regulated by the CCA. Certain regulations made in 2005 and 2008 under the FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after N(M) and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) and constitutes a separate Regulated Mortgage Contract. A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that the credit agreement would, apart from the exemption referred to above, be regulated by the CCA or treated as such. Where a credit agreement is regulated by the CCA or treated as such, any failure to comply may render the contract unenforceable (in some cases without a court order) as to which see further "*Risk Factors – Consumer Credit Act 1974*" below.

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller and the Originator will, upon receipt of notice from the Issuer, be jointly and severally liable to repurchase the relevant Loans and their Related Security from the Issuer in accordance with the Mortgage Sale Agreement.

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

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

Changes in the regulatory structure of the United Kingdom's financial services industry came into effect on 1 April 2013 when the new regulator, the FCA, replaced the previous regulator, the FSA, in relation to the regulation of residential mortgage business under the FSMA. It remains to be seen if the FCA may adopt a more stringent approach towards the regulation of residential mortgage business than that adopted by the FSA.

Changes to mortgage regulation and to the regulatory structure in the United Kingdom may adversely affect payments on the Notes

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 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 regulatory authority (including consumer credit regulation) from the Office of Fair Trading (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: (a) the carrying on of servicing activities in certain circumstances by a person exercising the rights of the lender without FCA permission to do so renders the credit agreement unenforceable, except with FCA approval; and (b) from dates to be specified, 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 (as described below), 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 structure, may adversely affect the Loans, the Originator, the Issuer, the Servicer and their respective businesses and operations.

Consumer Credit Act 1974

The regulator for credit agreements regulated by the Consumer Credit Act 1974, as amended (the **CCA**) was the OFT before 1 April 2014, which issued licences and guidance on conduct of business under the CCA, and is the FCA from 1 April 2014, which issues authorisation and permission and rules and guidance on conduct of business under the FSMA. The FCA is also the regulator for Regulated Mortgage Contracts under the FSMA.

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

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

Recharacterisation as a loan regulated by the CCA poses the following risks:

- A court order under section 126 of the CCA is necessary to enforce a land mortgage (including in Scotland, a standard security) securing a credit agreement to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such application, the court has the power, if it appears just to do so, to amend the credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared). Any such amendment or conditions could change the repayment profile and/or amounts recoverable from the Borrowers and may adversely impact the Issuer's ability to make payments on the Notes.

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

Consumer Credit Act 2006

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

Under the CCA 2006, the "extortionate credit" regime has been 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 a lender and a borrower is unfair, then it may make an order, among other things, requiring the Originator, or any assignee such as the Issuer, to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's and the lender's conduct before and after making the agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (as defined below). 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. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

The financial limit of £25,000 for CCA regulation is removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements, and except for buy-to-let loans made before 31 October 2008. Buy-to-let loans made on or after 31 October 2008 are, irrespective of amount, exempt agreements under the CCA. Regulations define buy-to-let loans for these purposes as being credit agreements secured on land where less than 40 per cent. of the floor area of the secured property is used, or is intended to be used, as or in connection with a dwelling by the borrower or by a connected person. A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage (or, in Scotland, a standard security) securing a buy-to-let loan to the extent that the loan would, apart from this exemption, be regulated by the CCA or treated as such.

To the extent that the 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 annual 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. 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 is 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 result in adverse effects on the enforceability of certain Loans and consequently the Issuer's ability to make payment in full on the Notes when due.

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

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller and the Originator will, upon receipt of notice from the Issuer, be jointly and severally liable to repurchase the relevant Loan(s) and their Related Security from the Issuer.

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 EU (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. 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 Originator, the Issuer and/or the Servicer and their respective businesses and operations.

Distance Marketing

In the United Kingdom, the Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under these regulations but will be subject to related pre-contract disclosure requirements in

MCOB. Certain other credit agreements will be cancellable under these regulations if the borrower does not receive the prescribed information at the prescribed time, or in any event for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the borrower receives the last of the prescribed information.

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

(a) the borrower is liable to repay the principal, and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower sending the notice of cancellation or, if later, the originator receiving notice of cancellation;

(b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and

(c) any security is treated as never having had effect for the cancelled agreement.

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

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

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

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

2013, and has been 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 OFT withdrew the guidance note from its website, but the guidance note may remain as a factor that the FCA and CMA may take into account.

In May 2005, the previous regulator, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and previously regulated by the FSA and now by the FCA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in borrowers (i.e. where the borrower is required to give advance notice, pay a cost or give up a benefit in order to terminate the contract), a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In the context of the OFT's investigation into credit card default fees, the OFT in April 2006 issued a statement of its view of the principles that credit card issuers should follow in setting default fees, and that the principles are likely to apply to analogous default fees in other contracts such as mortgages. The principles are in essence that terms imposing default fees should not have the object of raising more in revenue than is reasonably expected to be necessary to recover certain limited administrative costs incurred as a result of a borrower's default.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The previous regulator, the FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the Unfair Contract Terms Regulatory Guide (previously in the FSA handbook and now in the FCA handbook) came into force. This guide is designed to explain the FCA's policy on how it would use its powers under the 1999 Regulations. In January 2012, the previous regulator, the FSA published finalised guidance entitled "Unfair contract terms: improving standards in consumer contracts" and "Statement on using Switching Terms in mortgage contracts under the Unfair Terms in Consumer Contracts Regulations 1999". Under the later guidance the FSA considered that terms in interest-only mortgage contracts that allow firms to switch consumers from an interest-only mortgage to a repayment mortgage may be regarded as unfair if they give the firm too broad a discretion to determine when such switching terms will apply. Further, where switching terms are determined to be unfair by a court, the firms will be unable to switch the consumer from an interest-only mortgage to a repayment mortgage, as such switching terms will not bind that consumer. Even with changes in regulatory structure in the United Kingdom that came into effect on 1 April 2013, the guidance issued by the FSA previously remains strongly influential until amendments or new guidance is announced by the FCA. Based on enforcement history, the FCA’s approach in respect of the regulation of the fairness of mortgage terms appears to be at least as stringent as that previously adopted by the FSA.

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. As of 1 April 2013, the FCA has power to enforce the UTCCR in relation to Regulated Mortgage Contracts originated by lenders authorised under the FSMA.

In March 2013, The Law Commission and The Scottish Law Commission (together, the **Commissions**) published advice to the UK Government on reforming the UTCCR. The Commissions recommend, among other things, that a term which specifies the main subject matter of the contract, or a price term, should only be exempt from being reviewed as to its fairness if the term is transparent and prominent. The Commissions also recommend that the UTCCR should expressly provide that, in proceedings brought by individual consumers, the court is required to consider the fairness of a term, even if the consumer has not raised the issue of unfairness, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the Consumer Rights Bill which was first presented to Parliament in January 2014.

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

The guidance issued by the FSA (and as of 1 April 2013, the FCA) 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 Originator, Seller, the Issuer, the Servicer or their respective businesses and operations.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**), an independent adjudicator, is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance, rather than strictly on the basis of compliance with law. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code, issued by the Council of Mortgage Lenders, before N(M) may be dealt with by the Ombudsman.

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

Consumer Protection from Unfair Trading Regulations 2008

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

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

The Unfair Practices Directive is implemented into UK law by the Consumer Protection from Unfair Trading Regulations 2008 (the **CPUTR**), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment. The possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. The CPUTR do not provide consumers with a private act of redress. Instead, consumers must rely on existing private law remedies based on the law of misrepresentation and duress. However 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 prevent the lender from (a) repossessing the mortgaged property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or an alternative product, and (b) automatically capitalising a payment shortfall.

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

Mortgage repossession

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

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

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

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

Consultation Paper on the power of sale and residential property

On 29 December 2009, the Ministry of Justice of the United Kingdom published a consultation paper (entitled 'Mortgages: power of sale and residential property' (CP55/09)) which contains proposals to amend the law to prevent mortgagees from selling residential properties in England and Wales without a court order or the consent of the borrower. It is not known if, and to what extent, these proposals will be enacted in the future as a matter of law. If the proposals are enacted, the ability of the mortgagee to exercise its power of sale in relation to the English Loans may be restricted and this may affect the Issuer's ability to make payments on the Notes when due. This consultation closed on 28 March 2010 and is yet to publish a response or further guidelines.

Potential effects of any additional regulatory changes

No assurance can be given that additional regulatory changes by the CMA, the FCA, the Ombudsman or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Originator's particular sector in that market or specifically in relation to the Originator. Any such action or developments or compliance costs may have a material adverse effect on the Originator, 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.

UK Government Credit Guarantee Scheme, ABS Guarantee Scheme, Financial Services Compensation Scheme and Help to Buy Scheme not applicable

On 8 October 2008, the UK Government announced the introduction of a new credit guarantee scheme pursuant to which the UK Government would make available to eligible institutions for an interim period a guarantee of new short and medium term debt issuance to assist in refinancing maturing, wholesale funding obligations as they fall due. The UK Government indicated that certain debt instruments including the Notes were not covered by the guarantee provided under the scheme and, as such, for the avoidance of doubt, the obligations of the Issuer in respect of the Notes are not guaranteed by the UK Government under the above credit guarantee scheme. This scheme was closed to new issuance on 28 February 2010 and the scheme closed upon the expiry of the final guarantee on 26 October 2012. In addition, on 19 January 2009, the UK Government announced the introduction of the asset backed securities guarantee scheme which closed on 31 December 2009. The Notes are not guaranteed by the UK Government under the asset backed securities guarantee scheme. Also, any investment in the Notes does not have the status of a protected claim under the UK Financial Services Compensation Scheme and accordingly, the Notes will not confer any entitlement to compensation under that scheme.

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to borrowers for the purchase of new homes. The shared equity loans are available from 1 April 2013. The second involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio (**LTV**). The guarantee loans are available from 1 October 2013. The Loans in the Portfolio do not benefit from any guarantee provided under the Help to Buy Scheme and as such no Loan will have the benefit of any government guarantee or support.

Insolvency legislation in the United Kingdom

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

Company voluntary arrangement and small companies moratorium

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

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

During the period for which a moratorium is in force in relation to a company, *inter alia*, no winding up may be commenced or administrator appointed to that company, no administrative receiver of that company may be appointed, no security created by that company over its property may be enforced (except with the leave of the court) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court). In addition, if the holder of security (the **chargee**) created by that company consents or if the court gives leave, the company may dispose of the secured property as if it were not subject to the security. Where the property in question is subject to a floating charge, the chargee will have the same priority in respect of any property of the company directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the floating charge. Where the security in question is that other than a floating charge, it shall be a condition of the chargee's consent or the leave of the court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security. Further, during the period for which a moratorium is in force in respect of a company it may not make any payments with respect to debts or liabilities existing prior to the date of filing for a moratorium unless (i) there are reasonable grounds for believing the payment will benefit the company, and (ii) the payment is approved by a committee of creditors of the company if established or, if not, by the nominee of the proposed company voluntary arrangement.

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

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

Security and insolvency considerations

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

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

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

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

Fixed charges may take effect under English law as floating charges

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

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

Liquidation expenses

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

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

Insolvency proceedings and subordination provisions

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

The Supreme Court of the United Kingdom has held that a flip clause as described above is valid under English law (the **Belmont Decision**). Contrary to this, however, in parallel proceedings the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the U.S. Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was not heard. 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 in the U.S. courts 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 the Swap Provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the applicable Priority of Payments which refers to the ranking of the Swap Provider's payment rights in respect of Hedge Subordinated Amounts). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to the Swap Provider given that it has assets and/or operations in the U.S., notwithstanding that it is a non-U.S. established entity and/or with respect to any replacement counterparty, depending on certain matters in respect of that entity. In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

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

Risks relating to the Banking Act 2009

The Banking Act 2009 (the **Banking Act**), which came into effect on 21 February 2009, includes (among other things) 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 (such as the Swap Provider or the Collection Account Bank). 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 two new special insolvency procedures which may be commenced by the UK authorities. It is possible that the extended tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made.

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

If an instrument or order were to be made under the Banking Act in respect of a relevant entity as described above, such instrument or order may (among other things) affect the ability of such entity to satisfy its obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified (such as a Scottish Declaration of Trust) 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). 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 power for the payment of compensation to be ordered in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and in an amount 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 relevant entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

As noted above, amendments have been made to the Banking Act, which come into force on 1 August 2014, 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. While the UK authorities provided an exclusion for certain securitisation companies, aspects of the relief are unclear meaning that no assurance can be provided that the Noteholders will not be adversely affected by an action taken under the relevant amended provisions. That said, it should be noted that the UK Government indicated in the context of a previous consultation that it intended to "exclude entities that facilitate capital market arrangements", which should include the Issuer.

Further amendments have been made to the Banking Act (but 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, the European Council has adopted a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms. The directive was published in the Official Journal of the EU on 12 June 2014 and came into force on 2 July 2014. Amongst other things, the directive provides for the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities (including a bail-in tool) and for special rules for cross-border groups. While many of the provisions contained in the directive are similar to provisions in the Banking Act, amendments will be required to the Banking Act to reflect the directive as adopted. Member States have until the end of 2014 to transpose the directive into national law. There can be no assurance that Noteholders will not be adversely affected by an action taken under such national laws, or by any suggestion of such action.

Legal considerations may restrict certain investments

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

EU Savings Directive

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

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

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. 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 EU Savings Directive.

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

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.

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

UK Taxation position of the Issuer

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

EU financial transaction tax

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

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

The FTT may give rise to tax liabilities for the Issuer with respect to certain transactions (including concluding swap transactions and/or purchases or sales of securities (such as authorised investments)) if it is adopted based on the Commission's Proposal. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest or principal than expected. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the Issuer, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the Issuer (and its general estate) in priority to the claims of Noteholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's Proposal. Under the Commission's Proposal, primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially extend to transactions involving shares and certain derivatives, with this initial implementation occurring by 1 January 2016. However, full details are not available and further changes could be made prior to adoption. The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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

Sections 1471 through 1474 of the U.S. 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; and (ii) certain "foreign passthru payments" in each case where made (a) to certain non-U.S. financial institutions that do not comply with this new reporting regime; or (b) to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Notes and the Residual Certificates are in global form and held within Euroclear and/or Clearstream, Luxembourg, 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 Notes and the Residual Certificates are discharged once it has paid the clearing systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

Withholding Tax under the Notes

In the event that any withholding or deduction for or on account of any taxes is imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will, in accordance with Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*) of the Notes, use reasonable endeavours to prevent such an imposition in respect of payments under the Notes.

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

European Monetary Union and Scottish Independence

If the United Kingdom opts into the third stage of 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 opt into the third stage of the European 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 that event (a) all amounts payable in respect of the Notes may become payable in Euro; (b) 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) there may no longer be available 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.

A referendum is to take place in Scotland in September 2014 in relation to a proposal for independence from the United Kingdom. If the result of the referendum is a vote in favour of independence, there can be no assurance that Scotland will be permitted or will choose to continue to use Sterling as its lawful currency. If Scotland is not permitted, or chooses not, to continue to use Sterling as its lawful currency, and the Scottish Loans are redenominated into a currency other than Sterling, the Issuer would be exposed to certain currency risks as the Portfolio would contain non-Sterling Loans whilst amounts due in respect of the Notes would continue to be denominated in Sterling. The terms of the Transaction Documents do not currently account for any changes (including changes required to deal with such currency risks and any operational risks arising as a result of the Issuer receiving amounts from Borrowers in a currency other than Sterling) which may be required as a result of any future Scottish independence. Scottish independence and/or Sterling not being the official currency of Scotland could have an impact on the Issuer's ability to make payments under the Notes.

Registered Definitive Notes and denominations in integral multiples

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

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

Book-Entry Interests

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

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

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

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

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

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

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

Economic conditions in the Eurozone

Concerns relating to credit risk of sovereigns and of those entities which have exposure to sovereigns have recently intensified. In particular, concerns have been raised with respect to continuing economic, monetary and political conditions in the region comprised of the Member States of the EU that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended (the **Eurozone**). If such concerns persist and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit Rating Agency action, any default or restructuring of indebtedness by one or more Member States or institutions within those Member States and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents (including the Originator, the Servicer, the Issuer Account Bank, the Cash Manager and/or the Swap Provider) and/or any Borrower in respect of its Loan.

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

European Banking Union Proposals

On 12 September 2012, the European Commission published a package of legislative proposals designed to create a single supervisory mechanism (**SSM**) for banks within the Eurozone, as part of a longer term plan for fiscal and economic integration designed to address the current economic conditions in the Eurozone. It was proposed that the SSM would be established from 1 January 2013 and that implementation would be phased, with initial scope being limited to European systemically important banks. Ultimately, on 15 October 2013, the Council of the European Union reached agreement on the SSM. This agreement gives the European Central Bank (**ECB**) direct prudential supervisory powers over certain Eurozone banks, including in many areas currently reserved to national financial supervisors. These powers will complement, rather than replace, the existing powers of the European Banking Authority (the **EBA**), though there are likely to be some amendments to the EBA's existing powers to enable full co-operation with the ECB. The proposed legislation also allows Member States outside the Eurozone (including the United Kingdom) to join the SSM through "close co-operation" arrangements between the ECB and the relevant national supervisor(s). While there has been no indication that the United Kingdom would seek to join the SSM, the extensive and significant nature of the powers and the speed of proposed implementation means that no assurance can be given as to whether any element of these proposals could adversely affect the market for the Notes or any bank involved as a transaction party.

Change of Law

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

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

The Basel III reform package (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 the CRR and an associated directive (the re-cast Capital Requirements Directive (the **CRD**) (and together with the CRR, **CRD IV**), which was published in the Official Journal of the European Union on 27 June 2013. The CRR establishes a single set of harmonised prudential rules for financial institutions and certain minimum liquidity standards which apply directly to all credit institutions in the EEA, with the CRD containing less prescriptive provisions which (unlike the CRR, which applies across the European Union without the need for any member state-level legislation) are required to be transposed into national law. Together the CRR and CRD reinforce capital standards and establish a leverage ratio "backstop". Full implementation began from 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely effective by 2019 and some minor transitional provisions provide for phase-in until 2024). As CRD IV allows certain national discretions, the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published certain proposed revisions to the securitisation framework, including changes to the approaches to calculating risk weights and a new risk weight floor of 15 per cent.

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

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

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

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of 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 Joint Class A Lead Managers, the Sole Mezzanine Lead Manager, the Arranger, the Seller or the Originator makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment on the Closing Date or at any time in the future.

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

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

With respect to the commitment of the Originator 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 Originator 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 *"Risk Retention"*. 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 Originator (in its capacity as the Servicer), the Seller, the Arranger nor any 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 Market Infrastructure Regulation

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

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

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

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

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

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

CRA Regulation

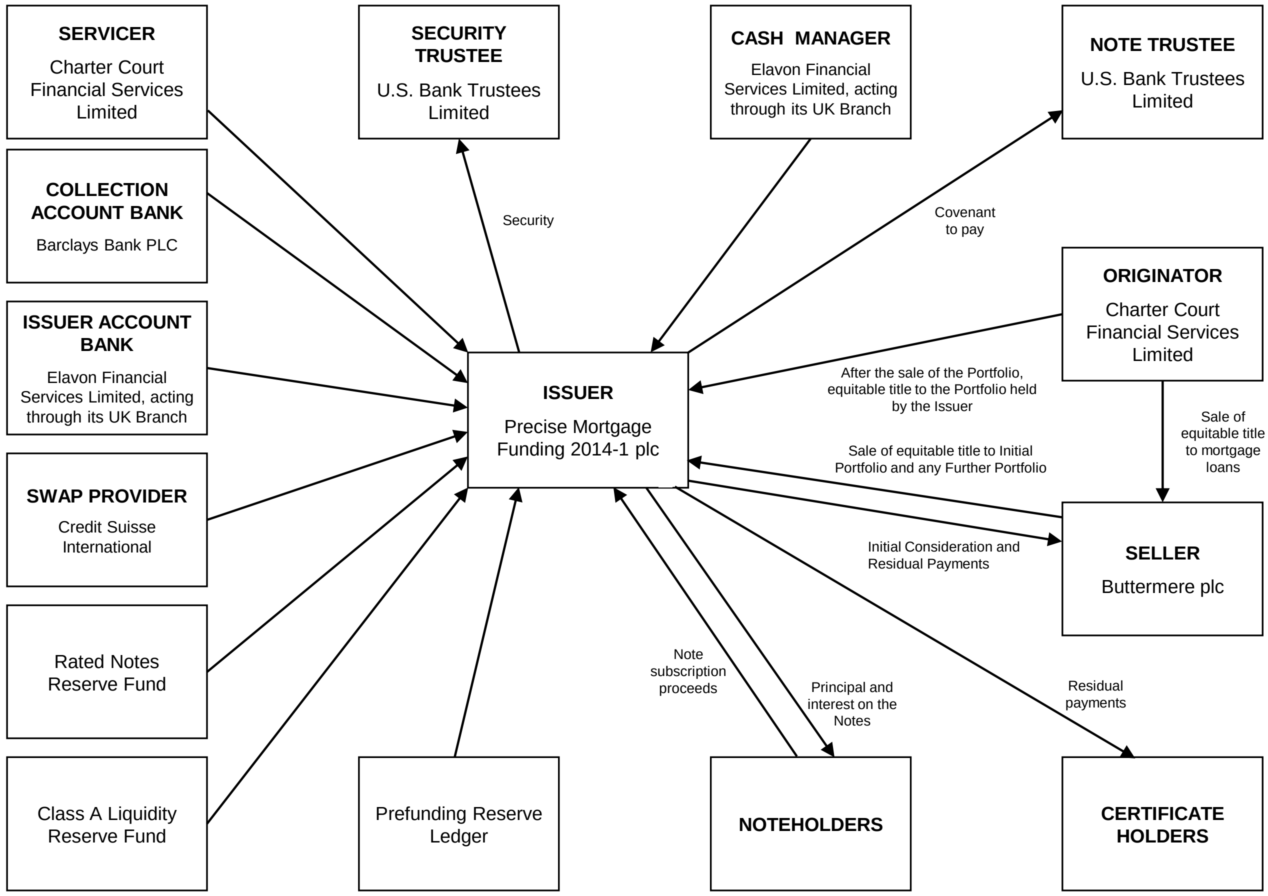
In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended),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

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

STRUCTURE DIAGRAMS

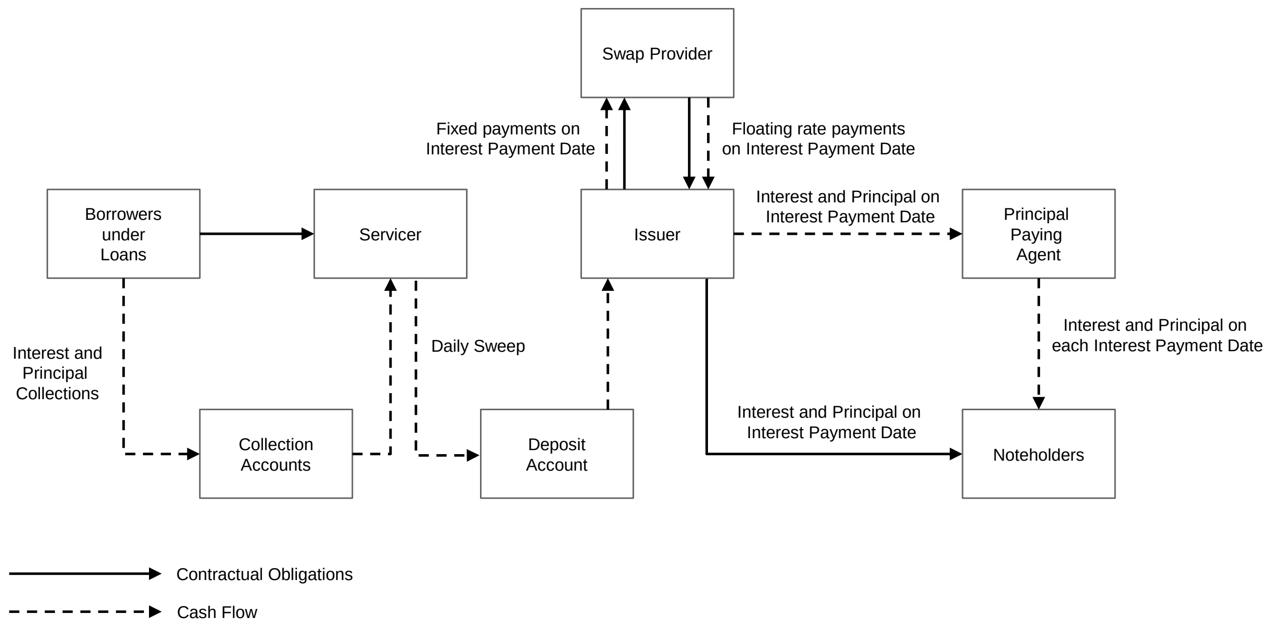
DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

Figure 1 – Transaction Structure



DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS

Figure 2 – Cashflow Structure



The Issuer will purchase the Initial Portfolio on the Closing Date and may purchase the Further Portfolio on the Further Portfolio Sale Date.

OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

Figure 3 – Ownership Structure

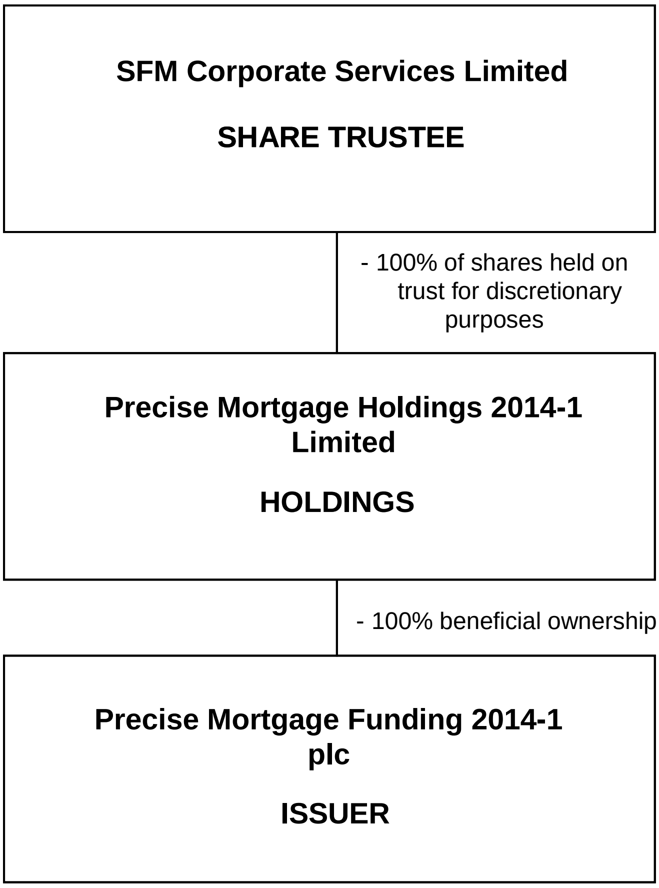


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- 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 trust the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings or the Share Trustee is either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.

TRANSACTION OVERVIEW – TRANSACTION PARTIES

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

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

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

Party	**Name**	**Address**	**Document under which appointed/Further Information**
Issuer	Precise Mortgage Funding 2014-1 plc	35 Great St. Helen's, London EC3A 6AP	See the section entitled "*The Issuer*" for further information.
Holdings	Precise Mortgage Holdings 2014-1 Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled "*Holdings*" for further information.
Seller	Buttermere plc	35 Great St. Helen's, London EC3A 6AP	See the sections entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" and "*The Seller*" for further information.
Servicer	Charter Court Financial Services Limited	2 Charter Court, Broadlands, Wolverhampton WV10 6TD	Servicing Agreement by the Issuer, the Seller and the Security Trustee. See the section entitled "*Summary of the Key Transaction Documents – Servicing Agreement*" and "*Charter Court Financial Services Limited*" for further information.
Originator	Charter Court Financial Services Limited	2 Charter Court, Broadlands, Wolverhampton WV10 6TD	See the section entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" for further information.

Cash Manager	Elavon Financial Services Limited, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Cash Management Agreement by, *inter alios,* the Issuer. See the sections entitled "*Summary of the Key Transaction Documents – Cash Management Agreement*" and "*The Cash Manager*" for further information.
Swap Provider	Credit Suisse International	One Cabot Square, London E14 4QJ	Swap Agreement by the Issuer. See the sections entitled "*Credit Structure – Interest Rate Risk for the Notes –Swap Agreement*" and "*The Swap Provider*" for further information.
Issuer Account Bank	Elavon Financial Services Limited, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	The Bank Account Agreement by the Issuer, the Issuer Account Bank and the Security Trustee. See the sections entitled "*Summary of the Key Transaction Documents – The Bank Account Agreement*" and "*Issuer Account Bank*" for further information.
Collection Account Bank	Barclays Bank PLC	One Churchill Place, London E14 5HP	The DD Collection Account Declaration of Trust and Account Bank Deed. See the section entitled "*Summary of the Key Transaction Documents – The DD Collection Account Declaration of Trust and Account Bank Deed*" and *"The Collection Account Bank"* 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 "*Terms and Conditions of the Notes*" and "*The Note Trustee and Security Trustee*" for further information.
Note Trustee	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Trust Deed. See the sections entitled "*Terms and Conditions of the Notes*" and "*The Note Trustee and Security Trustee*" 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 by the Issuer. See the section entitled "*Terms and Conditions of the Notes*" for further information.
Registrar	Elavon Financial Services Limited	Block E, Cherrywood Business Park, Loughlinstown, Dublin, Ireland	In respect of the Notes and Residual Certificates, the Agency Agreement, by the Issuer. See the section entitled "*Terms and Conditions of the Notes*" for further information.
Corporate Services Provider	Structured Finance Management Limited	35 Great St. Helen's, London, EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings. See the section entitled "*The Corporate Services Provider*" for further information.
Share Trustee	SFM Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Share Trust Deed by the Share Trustee.
Arranger	Credit Suisse Securities (Europe) Limited	One Cabot Square, London E14 4QJ	Subscription Agreement. See the section entitled "*Subscription and Sale*" for further information.
Joint Class A Lead Managers	Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch	One Cabot Square, London E14 4QJ Winchester House, 1 Great Winchester Street London EC2N 2DB	Subscription Agreement. See the section entitled "*Subscription and Sale*" for further information.
Sole Mezzanine Lead Manager	Credit Suisse Securities (Europe) Limited	One Cabot Square, London E14 4QJ	Subscription Agreement. See the section entitled "*Subscription and Sale*" for further information.

TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

*Please refer to the sections entitled "**Summary of the Key Transaction Documents – Mortgage Sale Agreement**", "**Summary of the Key Transaction Documents – Servicing Agreement**", "**Characteristics of the Provisional Portfolio**" **and** "**The Loans**" 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 Portfolio will consist of the Initial Portfolio (comprising Loans and their Related Security which will be sold by the Seller to the Issuer on the Closing Date) and (if applicable) the Further Portfolio (comprising Loans and their Related Security which may be sold by the Seller to the Issuer on the Further Portfolio Sale Date), in each case pursuant to the Mortgage Sale Agreement.

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

The Loans have been, or will be, originated by the Originator and the equitable title to the Loans and their Related Security has been, or will be prior to the sale thereof to the Issuer pursuant to the terms of the Mortgage Sale Agreement, acquired by the Seller from the Originator.

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

The sale by the Seller to the Issuer of each Scottish Loan and its Related Security in the Portfolio will be given effect by a declaration of trust by the Originator in favour of the Issuer at the direction of the Seller granted, in relation to the Initial Portfolio, on the Closing Date and granted, in relation to the Further Portfolio, on the Further Portfolio Sale Date (each a **Scottish Declaration of Trust**) and the release of such Scottish Loans and their Related Security from the relevant Existing Scottish Trust.

The term **Existing Scottish Trust** when used in this Prospectus in connection with the Scottish Loans and their related Scottish Mortgages and other Related Security means all trusts created under Scots law under and in terms of which the Originator holds, immediately prior to the Closing Date or, as applicable, the Further Portfolio Sale Date, the relevant Scottish Loans, the related Scottish Mortgages and other Related Security as trustee for and on behalf of the Seller as beneficiary.

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 and such equitable assignment and the beneficial interest created under and pursuant to each Scottish Declaration of Trust, as applicable. The terms **repurchase** and **repurchased** when used in this Prospectus in connection with a Loan and its Related Security shall be construed to include (A) the repurchase of the equitable interest of the Issuer in respect of such Loan and its Related Security (to the extent that it is an English Loan) and the repurchase of the beneficial interest in respect of such Loan and its Related Security (to the extent that it is a Scottish Loan) under the relevant Scottish Declaration of Trust and the release of such Loan and its Related Security from the relevant Scottish Declaration of Trust and (B) the purchase by the Originator of such Loan and its Related Security from the Issuer pursuant to the terms of the Mortgage Sale Agreement.

Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Loans and their Related Security comprising the Portfolio will not be given to the relevant individual or individuals specified as borrowers in respect of a Loan or the individual or individuals (if any) from time to time assuming an obligation to repay (under a guarantee or otherwise) such Loan or any part of it (collectively, the **Borrowers** and each a **Borrower**) and the Issuer will not apply to the Land Registry or the Registers of Scotland to register or record its equitable or beneficial interest in the English Mortgages or take any steps to complete or perfect its title to the Scottish Mortgages. Prior to the occurrence of a Perfection Event, the legal title to each Loan and its Related Security in the Portfolio will be held by the Originator on bare trust for the Issuer (including, in respect of a Scottish Loan, under the relevant Scottish Trust). Following a Perfection Event and notice of the transfer of the Loans and their Related Security to the Issuer being sent to the relevant Borrowers, legal title to the Loans and their Related Security (subject to appropriate registration or recording at the Land Registry or the Registers of Scotland (as appropriate)) will pass to the Issuer.

Features of the Loans:

The following is a summary of certain features of the Loans comprising the Initial Portfolio as at the Portfolio Reference Date and investors should refer to, and carefully consider, further details in respect of the Loans set out in the sections of this Prospectus entitled "*The Loans*" and "*Characteristics of the Provisional Portfolio*". The Loans comprise loans to prime or near-prime and buy-to-let Borrowers and are secured by first priority charges or (in Scotland) first ranking standard securities over freehold, heritable and leasehold properties in England, Wales or Scotland.

Type of Borrower	Near-Prime or Prime
Type of mortgage	Repayment and Interest Only
Self-certified Loans	No
Buy-To-Let	Yes
Fast Track	No
Number of loans in the Provisional Portfolio	1,484

	Average	Minimum	Maximum
Current Balance	£136,987.05	£25,609.46	£992,710.36

	Weighted average	Minimum	Maximum
Current LTV	72.53%	9.62%	87.08%
Seasoning (months)*	3.14	0.00	7.59
Remaining Term (years)*	22.58	4.65	30.02

The Portfolio will also include any Loans (if applicable) acquired from the Seller on the Further Portfolio Sale Date. The acquisition of the Further Portfolio may result in the characteristics of the Loans included in the Portfolio (comprising the Initial Portfolio and the Further Portfolio) being different from those characteristics set out above.

Consideration:

The consideration from the Issuer to the Seller in respect of the sale of the Initial Portfolio shall be: (a) the Initial Consideration in an amount equal to the Current Balance of the Loans in the Initial Portfolio on the first calendar day of July 2014, which is due and payable on the Closing Date and (b) deferred consideration consisting of the Residual Payments in respect of the Initial Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates to be issued by the Issuer and delivered to, or at the direction of, the Seller on the Closing Date.

The consideration from the Issuer to the Seller in respect of the sale of the Further Portfolio shall be: (a) the Initial Consideration in an amount equal to the Current Balance of the Loans in the Further Portfolio on the first day of the calendar month in which such Further Portfolio is sold to the Issuer, which is due and payable on the Further Portfolio Sale Date and (b) deferred consideration consisting of the Residual Payments in respect of the Further Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates issued by the Issuer to the Seller on the Closing Date.

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

The Seller shall transfer to the Issuer within 2 Business Days of the Closing Date or the Further Portfolio Sale Date (if any), as applicable, an amount equal to all Collections received on the Loans and their Related Security comprised in the Initial Portfolio from (and including) 1 July 2014 to (but excluding) the Closing Date and to all Collections received on the Loans and their Related Security comprised in the Further Portfolio from (and including) the Monthly Cut-Off Date immediately preceding the Further Portfolio Sale Date to (but excluding) the Further Portfolio Sale Date.

* As at 20 June 2014.

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

(a) the original principal amount advanced to the relevant Borrower secured or intended to be secured by the related Mortgage and which has not been paid, repaid or prepaid by the relevant Borrower; and

(b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has not been paid by the relevant Borrower and which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and

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

on the basis of the start of day position on such date (which for the avoidance of doubt is inclusive of any interest rate accrual amount relating to the previous month or otherwise that has been applied on such day but is exclusive of any other payments or postings on such date) and any reference to the Current Balance of a loan contained in the Provisional Portfolio shall be construed as if it were a Loan contained in the Initial Portfolio.

Initial Consideration means:

(a) in relation to the Initial Portfolio, an amount equal to the Current Balance of the Loans comprising the Initial Portfolio determined on the first calendar day of July 2014, which is due and payable on the Closing Date; and

(b) in relation to the Further Portfolio, an amount equal to the Current Balance of the Loans comprising the Further Portfolio on the first day of the calendar month in which such Further Portfolio is sold to the Issuer, which is due and payable on the Further Portfolio Sale Date.

Representations and Warranties:

The Seller and the Originator will make certain Loan Warranties regarding the Loans and Related Security to the Issuer: (i) in relation to the Loans and their Related Security comprised in the Initial Portfolio, on the Closing Date; and (ii) in relation to the Loans and their Related Security comprised in the Further Portfolio, on the Further Portfolio Sale Date.

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

(a) all of the Borrowers are individuals and were aged 18 years or older as at the date of execution of the Loan;

(b) no Borrower is an employee or director of the Seller or the Originator;

(c) each Loan is secured by (in the case of English Loans) a first ranking mortgage or (in the case of Scottish Loans) a first ranking standard security;

(d) the rate of interest under each Loan is charged monthly in accordance with the Standard Documentation, including any offer letter and the terms thereof;

(e) each Loan has a term ending no later than the end of 31 August 2044;

(f) at least one Monthly Instalment due in respect of each Loan has been paid by the relevant Borrower;

(g) each Loan was acquired by the Seller from the Originator and was at the time of origination and continues to be denominated in Sterling;

(h) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was £25,000 or more but less than £1,050,000;

(i) all of the Properties are residential properties and located in England, Wales or Scotland;

(j) the Mortgage Conditions for each Loan do not permit Payment Holidays;

(k) no Loan is a Flexible Loan;

(l) prior to the granting of each Loan, the Lending Criteria and all other conditions precedent to making the Loan were satisfied in all material respects, subject to such exceptions as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender; and

(m) the Mortgage Conditions for each Loan do not require the Originator to agree to any Further Advances.

Reasonable, Prudent Residential Mortgage Lender means a reasonably prudent residential mortgage lender lending to borrowers in England, Wales and Scotland of the type contemplated in the Lending Criteria from time to time on terms similar to those set out in the relevant Lending Criteria.

Lending Criteria means in respect of a Loan, the lending criteria of the Originator as at the date such Loan was granted. See the sections entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement"* and *"The Loans – Lending Criteria*" for further details.

See the section entitled "*Summary of the Key Transaction Documents –*

Mortgage Sale Agreement – Representations and Warranties" for further details.

Repurchase of the Loans and Related Security:

The Seller and the Originator are jointly and severally liable for the repurchase of the relevant Loans and their Related Security in the following circumstances:

- upon a material breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period);
- if the Originator determines on a Calculation Date that a Loan in the Portfolio was a Significant Deposit Loan on the immediately preceding Cut-Off Date; and
- in the event that the Originator has elected to make (i) a Port, (ii) a Further Advance or (iii) a Product Switch, in each case in relation to a Loan in the Portfolio or the Originator is bound to agree to a Port pursuant to the relevant Mortgage Conditions.

If and to the extent that any determination shall be made by any court or other competent authority or any ombudsman or regulator that:

(a) any term which relates to the recovery of interest under the Standard Documentation applicable to a Loan and its Related Security is unfair; or

(b) there has been any breach of or non-observance or non-compliance with any obligation, undertaking, covenant or condition on the part of the Seller or the Originator relating to the interest payable by or applicable to a Borrower under any Loan,

then, subject to the receipt by the Security Trustee of a certificate signed by the Servicer stating that a determination has been made under paragraph (a) or (b) above, the Issuer will serve upon the Seller and the Originator a notice requiring the Seller or the Originator to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

Further Advance means, in relation to a Loan, any advance of further money to the relevant Borrower following the advance of the initial principal amount by the Originator to the relevant Borrower under a Loan (**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.

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

Product Switch means any variation in the financial terms and conditions applicable to a Loan other than any variation:

(a) agreed with a Borrower to control or manage actual or anticipated 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 Switch);

(c) imposed by statute;

(d) in the rate of interest payable in respect of a Loan (provided that suitable hedging arrangements will be in place for such Loan for the term of such Loan, which, for Fixed Rate Loans will be compliant with S&P and Fitch criteria and the Notional Amount of the relevant 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);

(e) in the rate of interest payable in respect of a Loan (i) as a result of any variation in the Floating Mortgage Rate or (ii) where the terms of the Mortgage change the rate of interest payable by a Borrower on termination of an interest discount for a fixed period of time or the terms of the Loan otherwise change the interest rate payable;

(f) in the frequency with which the interest payable in respect of the Loan is charged; or

(g) agreed with a Borrower to change the Loan from an Interest-only Loan to a Repayment Loan.

Significant Deposit Loan means a Loan where (i) the Originator holds the legal title, and (ii) the relevant Borrower has a deposit holding with the Originator and the balance of such deposit holding exceeds the maximum amount covered under the Financial Services Compensation Scheme.

Consideration for repurchase:

Other than in respect of a repurchase by the Seller or the Originator of the Portfolio to effect a redemption of the Notes on an Interest Payment Date on or following the Optional Redemption Date or on any Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date, the consideration payable by the Seller or the Originator in respect of the repurchase of an affected Loan and its Related Security shall be equal to the Current Balance of such Loan (disregarding for the purposes of any such calculation (a) any porting in relation to such Loan and (b) to the extent that the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Originator, the amount of any such reduction in the Current Balance)) on the relevant date of any such repurchase, plus the Issuer's costs and expenses (if any) associated with the transfer of such Loan and its Related Security to the Seller or the Originator (as the case may be). See the section entitled "*Summary of the Key Transaction Documents - Repurchase by the Seller and the Originator – Repurchase price*" for further information.

Perfection Events:

Prior to the completion of the transfer of legal title of the Loans and their Related Security to the Issuer, legal title of the Loans and their Related Security will remain with the Originator and the Issuer will hold only the equitable title or, in relation to any Scottish Loans and their Related Security, the beneficial interest in those Loans and their Related Security pursuant to each Scottish Declaration of Trust and will therefore be subject to certain risks as set out in the risk factor entitled "*Originator to initially retain legal title to the Loans and risks relating to set-off*" in the section entitled "*Risk Factors*".

Pursuant to the Mortgage Sale Agreement, prior to the completion of the transfer of legal title of the Loans and their Related Security to the Issuer, the Originator will hold the legal title to the Loans and their Related Security in the Portfolio (but excluding any Loan and its Related Security which has been repurchased by the Seller or the Originator) on bare trust for the Issuer.

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

Servicing of the Portfolio:

The Servicer agrees to service the Loans to be sold to the Issuer and their Related Security on behalf of the Issuer and, where applicable, the Originator. Following the service of an Enforcement Notice, the Servicer shall act at the direction of the Security Trustee. The appointment of the Servicer may be terminated by the Issuer and/or the Security Trustee if any Servicer Termination Event occurs and is continuing (see "*Servicer Termination Events*" in the "*Transaction Overview – Triggers Tables - Non-Rating Triggers Table*").

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

Seller or the Originator may repurchase the Portfolio (a) on any Business Day falling in an Optional Repurchase Period or (b) if the aggregate Current Balance of the Loans (excluding any Enforced Loans) is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date:

On any Business Day falling (a) in an Optional Repurchase Period or (b) on and from any Cut-Off Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date but on or before the Calculation Date after such Cut-Off Date, the Seller or the Originator may offer to purchase, and the Issuer may, in its absolute discretion, accept such offer to purchase all (but not some) of the Portfolio at its Optional Repurchase Price. See the section entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*", below.

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

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

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class Z Notes	Subordinated Notes
Principal Amount:	£199,700,000	£10,000,000	£15,000,000	£5,400,000	£4,900,000	£6,903,000
Credit enhancement features:	Overcollateralisation funded by other Notes (other than the Subordinated Notes), Revenue Receipts plus (for the first Interest Payment Date only) the Prefunding Yield Maintenance Required Amount remaining after payment of interest on Class A Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all amounts credited to the Class A Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Overcollateralisation funded by other Notes (other than the Class A Notes and Subordinated Notes), Revenue Receipts plus (for the first Interest Payment Date only) the Prefunding Yield Maintenance Required Amount remaining after payment of interest due in respect of the Class B Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all amounts credited to the Class A Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Overcollateralisation funded by other Notes (other than the Class A Notes, Class B Notes and Subordinated Notes) and Revenue Receipts plus (for the first Interest Payment Date only) the Prefunding Yield Maintenance Required Amount remaining after payment of interest due in respect of the Class C Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all amounts credited to the Class A Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Overcollateralisation funded by Class Z Notes and Revenue Receipts plus (for the first Interest Payment Date only) the Prefunding Yield Maintenance Required Amount remaining after payment of interest due in respect of the Class D Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all amounts credited to the Class A Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Revenue Receipts plus (for the first Interest Payment Date only) the Prefunding Yield Maintenance Required Amount remaining after payment of interest due in respect of the Class Z Notes and all other amounts ranking in priority thereto and following service of an Enforcement Notice, all amounts credited to the Class A Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Revenue Receipts plus (for the first Interest Payment Date only) the Prefunding Yield Maintenance Required Amount remaining after payments due in respect of the Subordinated Notes and all other amounts ranking in priority thereto and following service of an Enforcement Notice, all amounts credited to the Class A Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger
Liquidity support features	Subordination in payment of the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes and the Subordinated Notes, (in respect of the first Interest Payment Date only), the	Subordination in payment of the Class C Notes, the Class D Notes, the Class Z Notes and the Subordinated Notes, (in respect of the first Interest Payment Date only), the Prefunding Yield	Subordination in payment of the Class D Notes, the Class Z Notes and the Subordinated Notes, (in respect of the first Interest Payment Date only), the Prefunding Yield Maintenance	Subordination in payment of the Class Z Notes and the Subordinated Notes, (in respect of the first Interest Payment Date only), the Prefunding Yield Maintenance Required Amount, the	Subordination in payment of the Subordinated Notes and (in respect of the first Interest Payment Date only), the Prefunding Yield Maintenance Required Amount.	(In respect of the first Interest Payment Date only), the Prefunding Yield Maintenance Required Amount

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class Z Notes	Subordinated Notes
	Prefunding Yield Maintenance Required Amount, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Senior Expenses Deficit, the Class A Liquidity Reserve Fund and the amounts credited to the Rated Note Reserve Fund	Maintenance Required Amount, the amounts credited to the Rated Note Reserve Fund	Required Amount, the amounts credited to the Rated Note Reserve Fund	amounts credited to the Rated Note Reserve Fund		
Issue Price:	100%	100%	100%	100%	100%	100.956106040852%
Reference Rate:	Three Month LIBOR*	Three Month LIBOR*	Three Month LIBOR*	Three Month LIBOR*	0.90% per annum	0.90% per annum
Margin (payable up to and including the Optional Redemption Date)	0.800% p.a.	1.150% p.a.	1.400% p.a.	1.900% p.a.	N/A	N/A
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	30/360	30/360
Interest Payment Dates:	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year
First Interest Payment Date:	12 September 2014	12 September 2014	12 September 2014	12 September 2014	12 September 2014	12 September 2014
Final Maturity Date:	The Interest Payment Date falling in September 2047	The Interest Payment Date falling in September 2047	The Interest Payment Date falling in September 2047	The Interest Payment Date falling in September 2047	The Interest Payment Date falling in September 2047	The Interest Payment Date falling in September 2047
Step-Up Margin (payable after the Optional Redemption Date)	1.200% per annum	1.725% per annum	2.100% per annum	2.850% per annum	N/A	N/A
Optional Redemption Date:	The Interest Payment Date falling in June 2019	The Interest Payment Date falling in June 2019	The Interest Payment Date falling in June 2019	The Interest Payment Date falling in June 2019	The Interest Payment Date falling in June 2019	The Interest Payment Date falling in June 2019
Application for Exchange Listing:	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
ISIN:	XS1082039865	XS1082040103	XS1082040798	XS1082041259	XS1082041689	XS1082041929
Common Code:	108203986	108204010	108204079	108204125	108204168	108204192

* Except in respect of the first Interest Period, where the Reference Rate will be the linear interpolation of LIBOR for one and three month deposits in Sterling.

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class Z Notes	Subordinated Notes
Ratings (Fitch/S&P):	AAAsf/AAA(sf)	AAsf/AA(sf)	Asf/A(sf)	BBBsf/BBB+(sf)	Not rated	Not rated
Minimum Denomination	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000
Governing law of the Notes	English	English	English	English	English	English

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

TRANSACTION OVERVIEW - Overview of the Characteristics of the Notes and the Residual Certificates

Ranking and Form of the Notes:	On the Closing Date, the Issuer will issue the following classes of Notes under the Trust Deed: • Class A Mortgage Backed Floating Rate Notes due 2047 (the **Class A Notes**); • Class B Mortgage Backed Floating Rate Notes due 2047 (the **Class B Notes**); • Class C Mortgage Backed Floating Rate Notes due 2047 (the **Class C Notes**); • Class D Mortgage Backed Floating Rate Notes due 2047 (the **Class D Notes**); • Class Z Mortgage Backed Fixed Rate Notes due 2047 (the **Class Z Notes**); • Subordinated Fixed Rate Notes due 2047 (the **Subordinated Notes**), and together, the Class A Notes, the Class B Notes, the Class C Notes, and the Class D Notes are the **Rated Notes**. The Rated Notes together with the Class Z Notes and the Subordinated Notes are the **Notes** and the holders thereof, the **Noteholders**. The Notes will be issued in registered form. Each Class of Notes will be issued pursuant to Regulation S and will be cleared through Euroclear and/or Clearstream, Luxembourg, as set out in "*Description of the Global Notes*" below.
Residual Certificates:	On the Closing Date, the Issuer will also issue to the Seller residual certificates under the Trust Deed (the **Residual Certificates** and the holders thereof, the **Certificateholders**) representing the right to receive the Residual Payments by way of deferred consideration for the Issuer's purchase of the Initial Portfolio and (if applicable) the Further Portfolio.
Sequential Order:	The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times. The Class B Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes. The Class C Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes. The Class D Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes. The Class Z Notes rank *pro rata* and *pari passu* without preference or priority

among themselves in relation to payment of interest and principal at all times, but subordinate to all payments under the Rated Notes. On or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, payments of principal on the Class Z Notes will be subordinated to payments of interest on the Subordinated Notes.

The Subordinated Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to all payments under the Rated Notes and (except as provided below) the Class Z Notes. On or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, payments of interest on the Subordinated Notes will be paid in priority to payments of principal on the Class Z Notes.

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

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

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

Security:

Pursuant to a deed of charge made between, among others, the Issuer and the Security Trustee (the **Deed of Charge**), the Notes and Residual Certificates 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.

Pursuant to the Deed of Charge on the Closing Date, the Notes and Residual Certificates will be secured by, among other things, 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 over) the Issuer's rights, title, interest and benefit in and to the Transaction Documents (other than the Trust Deed, the Deed of Charge, each Scottish Supplemental Charge and each Scottish Declaration of Trust) and any sums derived therefrom (provided that the assignment by way of security of the Issuer's rights under the Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder);

(b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's interest in the English Loans and their Related Security and other related rights comprised in the Portfolio (other than in respect of Scottish Loans) and any sums derived therefrom;

(c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit to and under Insurance Policies assigned to the Issuer pursuant to the Mortgage Sale Agreement;

(d) an assignation in security of the Issuer's beneficial interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Originator over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to each Scottish Declaration of Trust);

(e) a charge by way of first fixed charge over the Issuer's interest in its bank and/or securities accounts (including the Deposit Account and the Swap Collateral Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;

(f) an assignment by way of first fixed security (and, to the extent not assigned, a charge by way of first fixed charge) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit under the Non-DD Collection Account Trust (created pursuant to the Non-DD Collection Account Declaration of Trust together with the Non-DD Collection Account Accession Undertaking), the Non-DD 2014-1 Collection Account Trust (created pursuant to the Non-DD 2014-1 Collection Account Declaration of Trust) and the DD Collection Account Trust (created pursuant to the DD Collection Account Declaration of Trust and Account Bank Deed);

(g) a charge by way of first fixed charge over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf; and

(h) a floating charge over all assets of the Issuer not otherwise subject to the charges referred to above or otherwise effectively assigned by way of security, including over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not the subject of the charges referred to above as aforesaid).

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

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

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

Gross-up: None of the Issuer or 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 redemption events:

- mandatory redemption in whole on the Interest Payment Date falling in September 2047 (the **Final Maturity Date**), as fully set out in Condition 8.1 (*Redemption at Maturity*);

- mandatory redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the service of an Enforcement Notice subject to availability of Available Redemption Receipts (to the extent not applied to cover any Senior Expenses Deficit and (in respect of paragraphs (e) and (f) below) to pay interest on the Class Z Notes or the Subordinated Notes on or after the Optional Redemption Date or the Final Redemption Date or on any Interest Payment Date on which the Notes are to be redeemed pursuant to Condition 8.3 or Condition 8.4) which shall be applied (a) first, on a *pari passu* and *pro rata* basis to repay the Class A Notes until they are repaid in full, (b) second, on a *pari passu* and *pro rata* basis to repay the Class B Notes until they are repaid in full, (c) third, on a *pari passu* and *pro rata* basis to repay the Class C Notes until they are repaid in full, (d) fourth, on a *pari passu* and *pro rata* basis to repay the Class D Notes until they are repaid in full, (e) fifth, on a *pari passu* and *pro rata* basis to repay the Class Z Notes until they are repaid in full, (f) sixth, on a *pari passu* and *pro rata* basis to repay the Subordinated Notes until they are repaid in full and (g) seventh, thereafter any excess amounts will be applied on a *pari passu* and *pro rata* basis to the holders of the Residual Certificates. The Subordinated Notes will not be redeemed until all other Notes have been repaid in full;

- optional redemption of the Notes exercisable by the Issuer in whole (a) on each Interest Payment Date on and from the Optional Redemption Date or (b) on each Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date, as fully set out in Condition 8.3 (*Optional Redemption of the Notes in Full*); and

- optional redemption exercisable by the Issuer in whole for tax or other reasons (including if it becomes unlawful for the Issuer to allow to remain outstanding any of the Notes) on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*).

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

Expected Average Lives of the Notes: The actual average lives of the 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 "*Weighted Average Lives of the Notes*" below.

Event of Default: As fully set out in Condition 11 (*Events of Default*) and Residual Certificates Condition 10 (*Events of Default*), which includes, among other events, (where relevant, subject to the applicable grace period):

- subject to the deferral provisions in Condition 18 (*Subordination by Deferral*), non-payment of interest and/or principal in respect of the Notes and such non-payment continues for a period of three Business Days in the case of interest and five Business Days in the case of principal;
- failure to pay any amount due in respect of the Residual Certificates and the default continues for more than 14 Business Days;
- breach of any material contractual obligations by the Issuer under the Transaction Documents if such breach is incapable of remedy or, if it is capable of remedy, has not been remedied within the applicable grace period;
- any material representation made by the Issuer is incorrect when given if the matters giving rise to such misrepresentation is incapable of remedy or, if it is capable of remedy, has not been remedied within the applicable grace period; and
- the occurrence of certain insolvency related events in relation to the Issuer.

Following the occurrence of an Event of Default, the Note Trustee may (or if so directed by the Most Senior Class of Notes, shall) serve an Enforcement Notice on the Issuer that all Classes of Notes are immediately due and payable provided that the Note Trustee is indemnified and/or prefunded and/or secured to its satisfaction. Following service of an Enforcement Notice to the Issuer, the Security Trustee may enforce the Security.

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

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

Governing Law: English law (other than any terms of the Transaction Documents which are particular to Scots law which will be construed in accordance with Scots law).

Transaction Overview - Rights of Noteholders and Certificateholders and Relationship with Other Secured Creditors

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

Prior to an Event of Default:

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

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

Following an Event of Default:

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

Noteholders and Certificateholders Meeting provisions:

	Initial meeting	*Adjourned meeting*
Notice period:	At least 21 clear days	Not less than 13 clear days or more than 42 clear days
Quorum:	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than one-quarter of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than one-quarter of the Residual Certificates then in issue, as	Subject to more detailed provisions of the Trust Deed, (other than in respect of a Basic Terms Modification) one or more persons present and holding or representing any of the relevant Class or Classes of Notes then outstanding or Residual Certificates in issue, as applicable and (in respect of a Basic Terms Modification)

	applicable, for transaction of business including the passing of an Ordinary Resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and representing in the aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 50 per cent. of the Residual Certificates then in issue, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons eligible to attend and vote at such meeting holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of each Class of Notes then outstanding and holding or representing not less than three-quarters of the Residual Certificates then in issue, as applicable.	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 the relevant Class or Classes then outstanding or holding or representing not less than one-quarter of the Residual Certificates then in issue.
Required majority for Ordinary Resolution:	A clear majority of persons eligible to attend and vote at such meeting and voting at that meeting upon a show of hands or, if a poll is duly demanded, by a clear majority of	

		the votes cast on such poll (an **Ordinary Resolution**).
	Required majority for Extraordinary Resolution:	Majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll (an **Extraordinary Resolution**).
	Required majority for a written resolution:	Not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding or not less than three-quarters of the amount of Residual Certificates then in issue. A written resolution has the same effect as an Extraordinary Resolution.

Matters requiring Extraordinary Resolution:

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

- to sanction or to approve a Basic Terms Modification;
- to sanction any compromise or arrangement proposed to be made between, among others, the Issuer or any other party to any Transaction Document;
- to sanction any abrogation, modification, compromise or arrangement in respect of the rights of, among others, the Note Trustee or any other party to any Transaction Document against any other or others of them or against any of their property whether such rights arise under the Trust Deed, any other Transaction Document or otherwise;
- to approve the substitution of any person for the Issuer as principal debtor under the Notes other than in accordance with Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*) or Condition 13.20 (*Issuer Substitution Condition*);
- to assent to any modification of the Trust Deed or any other Transaction Document which is proposed by the Issuer or any other party to any Transaction Document or any Noteholder or

Certificateholder, other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders in accordance with the terms of the Trust Deed;

- to direct the Note Trustee to serve an Enforcement Notice;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to approve the appointment of a substitute Servicer in circumstances where the Servicer has resigned and the appointment of the substitute Servicer in the opinion of the Security Trustee could have an adverse effect on the rating of the Rated Notes or if it is not clear to the Security Trustee whether the rating for the Rated Notes will be maintained as the rating before the termination of the Servicer;
- to authorise the Note Trustee, the Security Trustee and/or any Appointee to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to discharge or exonerate the Note Trustee, Security Trustee and/or any Appointee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- to appoint any persons as a committee to represent the interests of the Noteholders or the Certificateholders and to confer upon such committee any powers which the Noteholders or the Certificateholders could themselves exercise by Extraordinary Resolution; and
- to sanction any scheme or proposal for the exchange, sale, conversion or cancellation of the Notes or the Residual Certificates for or partly or wholly in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company or partly or wholly in consideration of cash; or
- to give any other authorisation or sanction which under the Trust Deed or any other Transaction Document is required to be given by Extraordinary Resolution.

See Condition 12 (*Enforcement*) in the section entitled "*Terms and Conditions of the Notes*" for more detail.

Relationship between Classes of Noteholders and Certificateholders:

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

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

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

Subject to the provisions governing a Basic Terms Modification and the foregoing paragraphs, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of:

(a) Notes of only one Class or the Residual Certificates only shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution in writing or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates;

(b) Notes of more than one Class but does not give rise to an actual or potential conflict of interest between the holders of such Notes of more than one Class shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of the Notes of each such Class;

(c) one or more Classes of Notes and the Residual Certificates and gives or may give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed only if passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and the Residual Certificates;

(d) one or more Classes of Notes and/or the Residual Certificates but does not give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and/or the Residual Certificates; and

(e) two or more Classes of Notes and gives, or may give, rise to an actual or potential conflict of interest between the holders of such Classes of Notes, shall be deemed to have been duly passed only if passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected.

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

Relationship between Noteholders and other Secured Creditors:

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

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

So long as any Notes are outstanding and there is a conflict between the interests of the Noteholders, the Certificateholders and the other Secured Creditors, the Security Trustee will take into account the interests of the Noteholders only in the exercise of its discretion. So long as the Notes have been redeemed in full but any Secured Obligations remain outstanding and there is a conflict between Certificateholders and the

Secured Creditors (other than the Noteholders and the Certificateholders), the Security Trustee will take into account the interests of the Certificateholders (and not the other Secured Creditors) only in the exercise of its discretion.

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

Relevant Person as Noteholder or Certificateholder:

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

Provision of Information to the Noteholders and Certificateholders:

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

Communication with Noteholders:

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

(a) Subject to paragraph (d) below, any notice to Noteholders shall be validly given if published in the *Financial Times*, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a **Relevant Screen**), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice.

(b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.

(c) While the Notes are represented by Global Notes, notices to Noteholders will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

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

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

TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

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

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

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

(a) Revenue Receipts or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date received (i) during the immediately preceding Collection Period, or (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security by the Seller and/or the Originator pursuant to the Mortgage Sale Agreement, from but excluding the Monthly Pool Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including (A) the immediately preceding Monthly Pool Date or (B) in respect of a repurchase by the Seller or the Originator to effect a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*), the immediately preceding Calculation Date;

(b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period (other than any amount of interest or income received in respect of any Swap Collateral) and income from any Authorised Investments to be received on or prior to the Interest Payment Date (other than any amount of income received in respect of the Swap Collateral);

(c) any Principal Addition Amounts;

(d) amounts received or to be received by the Issuer under or in connection with the Swap Agreement (other than (i) any early termination amount received by the Issuer under the Swap Agreement, (ii) Swap Collateral, (iii) any Replacement Swap Premium paid to the Issuer, and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date other than, in each case, any Swap Collateral Account Surplus which is to be applied as Available Revenue Receipts in accordance with the Swap Collateral Account Priority of Payments);

(e) on the first Interest Payment Date, an amount credited to the Deposit Account on the Closing Date from part of the proceeds of the Subordinated Notes in an amount equal to the Prefunding Yield Maintenance Required Amount;

(f) the Rated Note Reserve Fund Available Amount;

(g) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*);

(h) any amount standing to the credit of the Class A Liquidity Reserve Fund Ledger;

(i) amounts credited to the Deposit Account on the previous Interest Payment Date in accordance with item (u) of the Pre-Enforcement Revenue Priority of Payments; and

(j) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Redemption Receipts;

less:

(k) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):

- certain costs and expenses charged by the Servicer in respect of its servicing of the Loans, other than any Special Servicing Fee or Mortgage Administration Fee and not otherwise covered by the items below;

- payments of certain insurance premiums in respect of the Block Insurance Policies (to the extent referable to the Loans);

- amounts under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited; and

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

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

(l) any tax payments paid or payable by the Issuer during the immediately preceding Collection Period to the extent not funded from amounts standing to the credit of the Issuer Profit Ledger; and

(m) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the DD Collection Account or to pay any amounts due to the Collection Account Bank.

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

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

(a) all Redemption Receipts or, if in a Determination Period, any Calculated Redemption Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period and (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller and/or the Originator pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Monthly Pool Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including (A) the immediately preceding Monthly Pool Date or (B) in respect of a repurchase by the Seller or the Originator to effect a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*), the immediately preceding Calculation Date;

(b) on the first Interest Payment Date only, the amounts standing to the credit of the Prefunding Reserve Ledger to the extent such funds have not been or will not be utilised to acquire the Further Portfolio;

(c) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class C Principal Deficiency Sub-Ledger and/or the Class D Principal Deficiency Sub-Ledger and/or the Class Z Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date;

(d) any amounts deemed to be Available Redemption Receipts in accordance with item (r) of the Pre-Enforcement Revenue Priority of Payments (the **Enhanced Amortisation Amounts**);

(e) on the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger, after first having applied the Rated Note Reserve Fund Available Amount as Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments and any Rated Note Reserve Fund Liquidity Release Amount to meet any Revenue Deficit on such Interest Payment Date and after amounts have been credited to the Rated Note Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments; and

(f) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*).

Optional Redemption Date means the Interest Payment Date falling in June 2019.

Final Redemption Date means the Interest Payment Date in respect of which the Cash Manager determines on the immediately preceding Calculation Date that, following the application on such Interest Payment Date of (i) Available

Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (ii) any Rated Note Reserve Fund Liquidity Release Amount in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments, the sum of the Available Redemption Receipts (other than item (e) (and, where such Interest Payment Date falls prior to the Optional Redemption Date, item (d)) of the definition thereof), all amounts standing to the credit of the Rated Note Reserve Fund Ledger and all amounts which (but for the occurrence of the Final Redemption Date) would have been available for application pursuant to items (s) to (v) (inclusive) of the Pre-Enforcement Revenue Priority of Payments would be sufficient to redeem in full the Rated Notes on such Interest Payment Date, including, as the case may be, as a result of the optional redemption of the Rated Notes pursuant to Condition 8.3 or Condition 8.4.

Pre-Enforcement Priority of Payments means the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments.

Summary of Priorities of Payments:

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

<u>Pre-Enforcement Revenue Priority of Payments:</u>

(a) Amounts due to the Note Trustee and the Security Trustee and any Appointee thereof including charges, liabilities, fees, costs and expenses

(b) Amounts due to the Agent Bank, the Registrar, the Paying Agent, the Cash Manager, the Servicer, the Corporate Services Provider, the Issuer Account Bank and the Collection Account Bank, in each case including all fees and costs

(c) Third party expenses and any Transfer Costs

(d) Amounts due to the Swap Provider (including any termination payments to the extent not satisfied by any applicable Replacement Swap Premium and/or any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments but excluding any Hedge Subordinated Amounts)

(e) Issuer Profit Amount

(f) *Pro rata* and *pari passu* to the interest due on the Class A Notes

(g) Amounts to be credited to the Class A Liquidity Reserve Fund Ledger

<u>Pre-Enforcement Redemption Priority of Payments:</u>

(a) Principal Addition Amounts to be applied to meet any Senior Expenses Deficit

(b) *Pro rata* and *pari passu* to the principal amounts due on the Class A Notes

(c) *Pro rata* and *pari passu* to the principal amounts due on the Class B Notes

(d) *Pro rata* and *pari passu* to the principal amounts due on the Class C Notes

(e) *Pro rata* and *pari passu* to the principal amounts due on the Class D Notes

(f) On or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, *pro rata* and *pari passu* to the interest due on the Class Z Notes

(g) On or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, *pro rata* and *pari passu* to the interest due on the Subordinated Notes

(h) *Pro rata* and *pari passu* to the principal amounts due on the Class Z Notes

(i) *Pro rata* and *pari passu* to

<u>Post-Enforcement Priority of Payments:</u>

(a) Amounts due in respect of the Receiver, the Note Trustee and the Security Trustee, Receiver and any Appointee thereof including charges, liabilities, fees, costs and expenses

(b) Amounts due in respect of the fees and costs of the Agent Bank, the Registrar, the Paying Agent, the Cash Manager, the Servicer, the Corporate Services Provider, the Issuer Account Bank, and the Collection Account Bank, in each case including all fees and costs

(c) Amounts due to the Swap Provider (including any termination payments to the extent not satisfied by any applicable Replacement Swap Premium and/or any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments but excluding any Hedge Subordinated Amounts)

(d) *Pro rata* and *pari passu* to the amounts of interest and principal due on the Class A Notes

(h) Amounts to be credited to the Class A Principal Deficiency Sub-Ledger

(i) *Pro rata* and *pari passu* to the interest due on the Class B Notes

(j) Amounts to be credited to the Class B Principal Deficiency Sub-Ledger

(k) *Pro rata* and *pari passu* to the interest due on the Class C Notes

(l) Amounts to be credited to the Class C Principal Deficiency Sub-Ledger

(m) *Pro rata* and *pari passu* to the interest due on the Class D Notes

(n) Amounts to be credited to the Class D Principal Deficiency Sub-Ledger

(o) Amounts to be credited to the Rated Note Reserve Fund Ledger

(p) Amounts to be credited to the Class Z Principal Deficiency Sub-Ledger

(q) Any Hedge Subordinated Amounts (to the extent not satisfied by any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments) due to the Swap Provider

(r) On or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, all amounts to be applied as Available Redemption Receipts

the principal amounts due on the Subordinated Notes

(j) Payments on the Residual Certificates

(e) *Pro rata* and *pari passu* to the amounts of interest and principal due on the Class B Notes

(f) *Pro rata* and *pari passu* to the amounts of interest and principal due on the Class C Notes

(g) *Pro rata* and *pari passu* to the amounts of interest and principal due on the Class D Notes

(h) Hedge Subordinated Amounts due to the Swap Provider

(i) *Pro rata* and *pari passu* to the amounts of interest and principal due on the Class Z Notes

(j) *Pro rata* and *pari passu* to the amounts of interest and principal due on the Subordinated Notes

(k) *Pro rata* and *pari passu* to the amounts due and payable to third parties (if any)

(l) Payments on the Residual Certificates

(s) *Pro rata* and *pari passu* to the interest due on the Class Z Notes

(t) *Pro rata* and *pari passu* to the interest due on the Subordinated Notes

(u) on any Interest Payment Date falling within a Determination Period, to be credited to the Deposit Account to be applied on the next Interest Payment Date as Available Revenue Receipts

(v) Payments on the Residual Certificates

General Credit Structure: The credit structure of the transaction includes the following elements:

- the availability of the Rated Note Reserve Fund, funded on the Closing Date by part of the proceeds of the Subordinated Noteholders' subscription of the Subordinated Notes. An amount equal to the Rated Note Reserve Fund Available Amount will be debited from the Rated Note Reserve Fund and will be applied as Available Revenue Receipts on each Interest Payment Date. On each Interest Payment Date, to the extent that there would be a Revenue Deficit on such Interest Payment Date, an amount equal to the Rated Note Reserve Fund Liquidity Release Amount shall be debited from the Rated Note Reserve Fund Liquidity Sub-Ledger immediately prior to the application of Available Revenue Receipts pursuant to the Pre-Enforcement Priority of Payments on such Interest Payment Date and applied to cure such Revenue Deficit. Any Rated Note Reserve Fund Liquidity Release Amount will be applied to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments. After the Closing Date, the Rated Note Reserve Fund will be replenished up to the Rated Note Reserve Fund Required Amount on each Interest Payment Date up to and including the Final Redemption Date from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments. See the section "*Credit Structure – Rated Note Reserve Fund and Rated Note Reserve Fund Ledger*".

  The **Rated Note Reserve Fund Required Amount** on any Interest Payment Date up to and including the Final Redemption Date will be an amount equal to 3.00 per cent. of the Principal Amount Outstanding of the Rated Notes as at the

Closing Date minus the Class A Liquidity Reserve Fund Required Amount and on each Interest Payment Date following the Final Redemption Date, zero. On the Closing Date, the Rated Note Reserve Fund Required Amount will be equal to £4,406,750.

On the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger (after first having applied the Rated Note Reserve Fund Available Amount as Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments and any Rated Note Reserve Fund Liquidity Release Amount to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments), and after amounts have been credited to the Rated Note Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments, will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments;

- the availability of the Class A Liquidity Reserve Fund which will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments on each Interest Payment Date (prior to the service of an Enforcement Notice). On the Closing Date, the Class A Liquidity Reserve Fund will be funded from part of the proceeds of the Subordinated Notes and on each Interest Payment Date shall be funded up to the Class A Liquidity Reserve Fund Required Amount from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

The **Class A Liquidity Reserve Fund** means the amount standing to the credit of the Deposit Account from time to time corresponding to the credit entry made by the Cash Manager on the Class A Liquidity Reserve Fund Ledger.

The **Class A Liquidity Reserve Fund Required Amount** means on any Interest Payment Date falling prior to the Class A Redemption Date, 1.25% of the Principal Amount Outstanding of the Class A Notes prior to the application of Available Redemption Receipts on such Interest Payment Date and on any Interest Payment Date falling on or after the Class A Redemption Date, zero.

The **Class A Redemption Date** means the Interest Payment Date on which, following the application of Available Redemption Receipts on such Interest Payment Date, the Class A Notes would be redeemed in full.

See the section "*Credit Structure – Class A Liquidity Reserve Fund and Class A Liquidity Reserve Fund Ledger*";

- the amounts credited to the Deposit Account on the Closing Date from part of the proceeds of the Subordinated Noteholders' subscription of the Subordinated Notes in an amount equal to the Prefunding Yield Maintenance Required Amount. The **Prefunding Yield Maintenance Required Amount** means an amount equal to £66,000;

- a Principal Deficiency Ledger will be established to record as a debit any Losses on the Portfolio and Principal Addition Amounts and record as a credit Available Revenue Receipts applied as Available Redemption Receipts (including any amounts in respect of Enhanced Amortisation Amounts) pursuant to the Pre-Enforcement Revenue Priority of Payments (if any). The Principal Deficiency Ledger will comprise five sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes), the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes), the Class C Principal Deficiency Sub-Ledger (relating to the Class C Notes), the Class D Principal Deficiency Sub-Ledger (relating to the Class D Notes), and the Class Z Principal Deficiency Sub-Ledger (relating to the Class Z Notes). Any Losses on the Portfolio and/or any Principal Addition Amounts will be recorded as a debit (on the date that the Cash Manager is informed of such Losses by the Servicer or such Principal Addition Amounts are determined by the Cash Manager (as applicable)): (a) first, to the Class Z Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class Z Notes; (b) second, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (c) third, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (d) fourth, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and (e) fifth, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Loan firstly to outstanding fees and interest amounts due and payable on the relevant Loan. The Principal Deficiency Ledger will be credited by the amount of any Available Revenue Receipts applied as Available Redemption Receipts in accordance with items (h), (j), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments. See the section "*Credit Structure – Principal Deficiency Ledger*" below;

- pursuant to item (r) of the Pre-Enforcement Revenue Priority of Payments, on or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, and after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, the Issuer will treat any remaining Available Revenue Receipts as Enhanced Amortisation Amounts and such amounts will be applied as Available Redemption Receipts to be applied in accordance with the Pre-Enforcement Redemption Priority of Payments. Any amounts applied as Enhanced Amortisation Amounts will be recorded as a credit to the Principal Deficiency Ledger. Any amount credited to the Principal Deficiency Ledger in respect of Enhanced Amortisation Amounts will be reduced to the extent of any future Losses arising in respect of the Portfolio;

- pursuant to item (a) of the Pre-Enforcement Redemption Priority of Payments, to the extent that after application of the Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts) in accordance with the Pre-Enforcement Revenue Priority of Payments and the use of any Rated Note Reserve Fund Liquidity Release Amount to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, there is a Senior Expenses Deficit, the Issuer shall apply an amount of Available Redemption Receipts equal to the Senior Expenses Deficit (the **Principal Addition Amounts**) as Available Revenue Receipts. Any Available Redemption Receipts applied as Principal Addition Amounts will be recorded as a debit to the Principal Deficiency Ledger;

- the availability of interest provided by the Issuer Account Bank in respect of monies held in the Issuer Accounts and income from any Authorised Investments (other than any amount of interest and/or income received in respect of the Swap Collateral) (see the section "*Cashflows*" for further details); and

- availability of the fixed rate swap provided by the Swap Provider to hedge against the possible variance between the rates of interest payable on the Fixed Rate Loans in the Portfolio and a rate of interest calculated by reference to three month LIBOR or in respect of the first Interest Period the linear interpolation of one and three months LIBOR (see the section "*Credit Structure – Interest Rate Risk for the Notes*" for further details).

Bank Accounts and Cash Management:

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

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

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

Swap Agreement:

Payments received by the Issuer under certain of the Loans will be subject to fixed rates of interest for an initial period of time. The interest amounts payable by the Issuer in respect of the Rated Notes will be calculated by reference to three-month or in respect of the first Interest Period the linear interpolation of one and three months LIBOR. To hedge against the potential variance between the fixed rates of interest received on certain of the Loans in the Portfolio (including any Fixed Rate Loans included in the Further Portfolio) and the rate of interest payable on the Rated Notes, the Issuer will enter into the Swap Transaction with the Swap Provider under the Swap Agreement.

TRANSACTION OVERVIEW – TRIGGERS TABLES

Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
Issuer Account Bank:	A short-term unsecured, unsubordinated and unguaranteed debt rating of 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 debt rating of at least A by S&P, or should the Issuer Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-1 from S&P, a long term unsecured, unsubordinated and unguaranteed rating of at least A+ by S&P, and a short-term issuer default rating of at least F1 by Fitch and a long-term issuer default rating of at least A by Fitch, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Rated Notes (the **Account Bank Rating**).	If the Issuer Account Bank fails to maintain any of the Account Bank Ratings, then the Issuer (with the assistance of the Cash Manager) shall, within 30 calendar days of such downgrade: (a) close the Deposit Account with such Issuer Account Bank and use all reasonable endeavours to open replacement accounts with a financial institution (i) having the Account Bank Ratings and (ii) which is a bank as defined in section 991 of the Income Tax Act 2007; (b) use all reasonable endeavours to obtain a guarantee of the obligations of such Issuer Account Bank under the relevant Bank Account Agreement from a financial institution which has the Account Bank Ratings; or (c) take any other reasonable action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes, in each case as prescribed in the Bank Account Agreement, and transfer amounts standing to the credit of relevant Issuer Accounts and all Ledgers on the relevant Issuer Accounts to the replacement Issuer Accounts.
Collection Account Bank	A short-term, unsecured, unsubordinated and unguaranteed debt rating of A-2 by S&P (if a short-term rating is assigned by S&P) and a long-term, unsecured, unsubordinated and unguaranteed debt rating of BBB or (if no short-term, unsecured, unsubordinated and unguaranteed debt rating is assigned by S&P) BBB+ by S&P and a short-term issuer default rating of F2 by Fitch and a long-term	If the Collection Account Bank fails to maintain any of the Collection Account Bank Ratings, then the Servicer shall assist the Originator to: (a) open a replacement collection account in the name of the Originator with a financial institution (i) having a rating of at least the Collection Account Bank

	issuer default rating of BBB+ by Fitch (the **Collection Account Bank Rating**).	Rating, (ii) approved in writing by the Issuer and the Security Trustee and (iii) 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 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 Instalments made by a Borrower under a payment arrangement other than the Direct Debiting Scheme are made to such replacement collection account from the date on which the replacement collection account is opened.
Swap Provider:	S&P: (i) A short-term, unsecured and unsubordinated debt obligations rating of A-1 or above by S&P and a long-term, unsecured and unsubordinated debt obligations rating of A or above by S&P or (ii) a long-term, unsecured and unsubordinated debt obligations rating of A+ or above by S&P (the **Initial S&P Required Ratings**).	If the Swap Provider (or its successor or any relevant guarantor) does not have the Initial S&P Required Ratings, the Swap Provider must, at its own cost and expense, if required in accordance with the terms of the Swap Credit Support Annex, post additional collateral on the expiry of 10 Business Days (or 20 Business Days if a collateral proposal is submitted to S&P) in the Swap Collateral Account and/or in any other account for this purpose, and at its own cost, the Swap Provider may choose to (i) transfer its rights and obligations under the Swap Agreement to an appropriately rated replacement third party, (ii) procure an appropriately rated third party guarantee of its obligations or (iii) take such other action (which may, for the avoidance of doubt, include taking no action) as is required to maintain, or restore, S&P's rating of the highest rated class of Rated Notes.
	Fitch: A short-term Issuer Default Rating (**IDR**) at least as high as F1 (or its equivalent) by Fitch and a long-term IDR at	If the Swap Provider (or its successor or any relevant guarantor) does not have the Initial Fitch Required Ratings, the Swap Provider

least as high as A (or its equivalent) by Fitch (the **Initial Fitch Required Ratings**).	must, on a reasonable efforts basis and at its own cost and expense, either: (a) if required, post additional collateral within 14 days; or (b) within 30 days either: (i) transfer its rights and obligations under the Swap Agreement to an appropriately rated replacement third party, (ii) procure a co-obligor or guarantee from an appropriately rated third party, or (iii) take such other actions (which may, for the avoidance of doubt, include taking no action) as a result of which the highest rated class of Rated Notes will be rated by Fitch at the same level as immediately prior to such rating event, **provided that** if required, pending the taking of any of the actions in (b)(i) to (iii) above, it posts collateral within 14 days as required under (a) above.
S&P: (A) For so long as Replacement Option 1 (as referenced in the Swap Agreement) applies, the long-term, unsecured and unsubordinated debt obligations are rated at least as high as BBB+ (or its equivalent) by S&P and (B) for so long as Replacement Option 2 applies, the long-term, unsecured and unsubordinated debt obligations are rated at least as high as A- (or its equivalent) by S&P (the **Subsequent S&P Required Ratings**). The Replacement Option that applies will determine the Subsequent S&P Required Rating of the Swap Provider. Replacement Option 2 (as referenced in the Swap Agreement) will apply on and from the date of the Swap Agreement, except that the Swap Provider may at any time elect for Replacement Option 1 to apply (or for Replacement Option 2 to apply if Replacement Option 1 applies at such time) on and from a particular date, provided certain conditions, as set out in the Swap Agreement, have been met.	S&P: if the Swap Provider (or its successor or any relevant guarantor) does not have the Subsequent S&P Required Ratings, the Swap Provider, at its own cost and expense, if required in accordance with the Swap Credit Support Annex, must post additional collateral on the expiry of 10 Business Days (or 20 Business Days if a collateral proposal is submitted to S&P) and must use commercially reasonable efforts to, within 60 calendar days (or 90 calendar days if a remedy proposal is submitted to S&P), either (i) transfer its rights and obligations under the Swap Agreement to an appropriately rated replacement third party, (ii) procure an appropriately rated third party to guarantee its obligations, or (iii) take such other action (which may, for the avoidance of doubt, include taking no action) as is required to maintain, or restore, S&P's rating of the highest rated class of Rated Notes. A failure by the Swap Provider to take such steps will, in certain circumstances, allow the Issuer to terminate the Swap Agreement.
Fitch: A short-term IDR at least as high as F3 (or its equivalent) by Fitch and a long-term IDR at least as high as BBB- (or its equivalent) by Fitch (the **Subsequent Fitch Required Ratings**).	Fitch: If the Swap Provider (or its successor or any relevant guarantor) does not have the Subsequent Fitch Required Ratings, the Swap Provider is required, within 30 calendar days and at its own costs and expense, to use its best endeavours to either: (i) transfer its rights and obligations under the Swap Agreement to an appropriately

rated replacement third party, (ii) procure a co-obligor or guarantee from an appropriately rated third party, or (iii) take such other actions (which may, for the avoidance of doubt, include taking no action) as a result of which the highest rated class of Rated Notes will be rated by Fitch at the same level as immediately prior to such rating event, **provided that** if required in accordance with the Swap Credit Support Annex, pending the taking of any of the actions in (i) to (iii) above, it posts additional collateral within 10 calendar days.

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

Non-Rating Triggers Table

Perfection Events:

Prior to the completion of the transfer of legal title of the Loans to the Issuer, the Issuer will be subject to certain risks as set out in the risk factor entitled "*Originator to initially retain legal title to the Loans and risks relating to set-off*" and "Set-off may adversely affect the value of the Portfolio or any part thereof" in the section entitled "*Risk Factors*". Completion of transfer of the legal title of the Loans by the Originator to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:

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

(b) it becoming necessary by law to take any or all such actions referred to in paragraph (a) above;

(c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy;

(d) the Originator calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or

(e) an Insolvency Event occurring in relation to the Originator; or

(f) it becoming unlawful in any applicable jurisdiction for the Originator to hold legal title in respect of any Loan in the Portfolio.

Servicer Termination Events:

The appointment of the Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee) if any of the following events (each a **Servicer Termination Event**) occurs and is continuing:

(a) the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and the Servicer fails to remedy it for a period of 30 Business Days after: (i) where the failure to pay has arisen other than as a result of a Disruption Event, the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or (after the delivery of an Enforcement Notice) the Security Trustee requiring the same to be remedied or (ii) where the failure to pay has arisen as a result of a Disruption Event, the cessation of the relevant Disruption Event or, if earlier, 60 Business Days following the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or (after the delivery of an Enforcement Notice) the

Security Trustee requiring the same to be remedied;

(b) material non-performance of its other covenants and obligations for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default or of receipt by the Servicer of written notice from the Issuer or (after the delivery of an Enforcement Notice) the Security Trustee requiring the same to be remedied;

(c) an Insolvency Event occurring in respect of the Servicer; or

(d) it becomes unlawful in any applicable jurisdiction for the Servicer to perform any of its obligations as contemplated by the Servicing Agreement, provided that this does not result or arise from compliance by the Servicer with any instruction from the Issuer or the Security Trustee.

In determining whether to give or withhold consent to the termination of the Servicer by the Issuer, the Security Trustee will have regard to factors it deems relevant (including for this purpose, the availability of a substitute servicer and the effect (including any potential regulatory implications) on the Issuer of not having a servicer in place at any time).

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

The resignation of the Servicer is conditional on, *inter alia*:

(a) (if the Rated Notes remain outstanding) the resignation having no adverse effect on the then current ratings of the Rated Notes unless the Security Trustee or the Rated Noteholders (the Rated Noteholders acting by way of Extraordinary Resolution) agree otherwise; and

(b) a substitute servicer assuming and performing all the material duties and obligations of the Servicer.

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

TRANSACTION OVERVIEW – FEES

The following table sets out the ongoing fees to be paid by the Issuer to the transaction parties.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees.	An aggregate amount calculated on the basis of (i) the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate of 0.03 per cent. per annum (inclusive of value added tax (**VAT**)) on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Cut-Off Date at the start of the immediately preceding Collection Period (the **Special Servicing Fee**) and (ii) the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate of 0.15 per cent. per annum (inclusive of VAT) on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Cut-Off Date at the start of the immediately preceding Collection Period (the **Mortgage Administration Fee**).	Ahead of all outstanding Notes and Residual Certificates.	Quarterly in arrear on each Interest Payment Date.
Other fees and expenses of the Issuer (including tax and audit costs).	Estimated at £85,500 each year (exclusive of VAT, where so provided in the relevant Transaction Document).	Ahead of all outstanding Notes and Residual Certificates.	Quarterly in arrear on each Interest Payment Date.
Expenses related to the admission to trading of the Notes.	Estimated at € 6,690 (exclusive of VAT).	Ahead of all outstanding Notes and Residual Certificates.	On or about the Closing Date.

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

RISK RETENTION

Investors should be aware of Part Five of the CRR (**Part Five**) (the requirements of which now apply in place of Article 122a of the previous Directive 2006/48/EC (as amended by Directive 2009/111/EC) (**Article 122a**), referred to as the Capital Requirements Directive (**Capital Requirements Directive** or the **CRD**) which applies in general in respect of notes issued under securitisations established after 31 December 2010 and will apply to the Notes. Part Five restricts an EU regulated credit institution (and its consolidated group entities) from investing in securitisations unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures as contemplated by Part Five. Part Five also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, among other things, its note position and the underlying exposures and that procedures are established for such activities to be conducted on an ongoing basis. Failure to comply with one or more of the requirements set out in Part Five will result in the imposition of a penal capital charge on the notes acquired by the relevant investors.

Part Five applies to EU regulated credit institutions and their related entities on a consolidated basis. Investors should therefore make themselves aware of the requirements of Part Five, where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes.

Investors should also be aware of Section 5 of Chapter III of the AIFM Regulation (including Article 51) (**Section 5**), the provisions of which section introduced risk retention and due diligence requirements (which took effect from 22 July 2013 in general) in respect of alternative investment fund managers that are required to become authorised under the Alternative Investment Fund Managers Directive 2011/61/EU and which assume exposure to the credit risk of a securitisation on behalf of one or more alternative investment funds. While the requirements under Section 5 are similar to those which apply under Part Five (including in relation to the requirement to disclose to alternative investment fund managers that the originator, sponsor or original lender will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures), they are not identical and, in particular, additional due diligence obligations apply to relevant alternative investment fund managers.

It should also be noted that similar requirements to those set out in Part Five and Section 5 are expected to be implemented for other types of EU regulated investors (such as insurance and reinsurance undertakings and UCITS funds) in the future. Part Five, Section 5 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.

The Originator will, as an originator for the purposes of Part Five and Article 51 of the AIFM Regulation, undertake to retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of Part Five and Article 51 of the AIFM Regulation.

As at the Closing Date the retention will be comprised of an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, in this case retention of the Class Z Notes and the Subordinated Notes issued on the Closing Date.

Information to be made available to the Noteholders pursuant to Article 409 of Part Five will be included in the monthly Investor Reports provided to the Noteholders pursuant to the Cash Management Agreement and published on the following website: usbank.com/abs. Further information in respect of individual loan level data may be obtained via the following website: usbank.com/abs. The website at usbank.com/abs and the contents thereof do not form part of this Prospectus.

The Originator will undertake to (i) the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager and the Arranger in the Subscription Agreement and (ii) to the Issuer and the Security Trustee in the Mortgage Sale Agreement to:

(a) retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Part Five and Article 51 of the AIFM Regulation; and

(b) comply with the disclosure obligations imposed on sponsor or originator credit institutions under Article 409 of Part Five and provide to the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager and the Issuer access to the data and information referred to in Article 409 of Part Five (subject to all applicable laws).

Such retention requirement will be satisfied by the Originator holding the Class Z Notes and the Subordinated Notes issued on the Closing Date. Any change to the manner in which such interest is held will be notified to the Noteholders.

Each of Part Five and Article 51 of the AIFM Regulation apply in respect of the Notes. Each prospective investor is therefore required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Part Five and Article 51 of the AIFM Regulation and none of the Issuer, the Originator, the Seller, the Cash Manager, the Servicer, the Note Trustee, the Security Trustee, the Arranger, the Joint Class A Lead Managers or the Sole Mezzanine Lead Manager makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes. The Originator accepts responsibility for the information set out in this section "*Risk Retention*" (but not, for the avoidance of doubt, any information set out in any other section of the Prospectus referred to in this section).

Aspects of Part Five and Article 51 of the AIFM Regulation and what is required to demonstrate compliance to national regulators remain unclear. Each prospective Noteholder should ensure that it complies with the implementing provisions in respect of Part Five and the CRR and Article 51 of the AIFM Regulation in its relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator and/or seek independent legal advice in this regard.

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

WEIGHTED AVERAGE LIVES OF THE NOTES

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

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

The following tables were prepared based on the characteristics of the loans included in the Provisional Portfolio and which have a Portfolio Reference Date of 31 May 2014, the provisions of the Conditions and Residual Certificates Conditions (as applicable), and the following additional assumptions (the **Modelling Assumptions**). The Class Z Notes and the Subordinated Notes will be repaid sequentially only following repayment in full of the Rated Notes in accordance with the relevant Priority of Payments.

Modelling Assumptions:

(a) for the purpose of calculating the amortisation schedule of the Loans in the Provisional Portfolio that have a Portfolio Reference Date of 31 May 2014, the amortisation is assumed to start from (but exclude) 30 June 2014;

(b) no Loan becomes delinquent or is enforced for so long as the Notes remain outstanding;

(c) other than in the scenarios where it is assumed that the Notes are redeemed on the Optional Redemption Date, no Loan is required to be repurchased by the Seller or the Originator, whether as a result of a Further Advance, Product Switch, Port, breach of Loan Warranty, as a result of the Loan being a Significant Deposit Loan, or otherwise;

(d) the Notes are issued on 22 July 2014 and all payments on the Notes are received on the 12th day (without regard to whether such day is a Business Day) of March, June, September and December in each year, with the first Interest Payment Date falling on 12 September 2014;

(e) no interest accrues on the Deposit Account;

(f) 3-month LIBOR is equal to 0.54 per cent.;

(g) the Bank of England's Base Rate is 0.50 per cent.;

(h) the fixed rate under the Swap Agreement is 1.20 per cent.;

(i) no Enforcement Notice is served on the Issuer, no Event of Default has occurred and the Security is not enforced;

(j) the amount standing to the credit of the Prefunding Reserve Ledger (i) is equal to the difference between the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date and the Initial Consideration assumed to be paid for the Initial Portfolio and (ii) is applied in its entirety to pay the Initial Consideration in respect of the Further Portfolio;

(k) the Initial Consideration paid on the Closing Date by the Issuer for the Initial Portfolio is £200,000,000;

(l) the Further Portfolio Sale Date is 31 August 2014 and the right to receive Revenue Receipts and Redemption Receipts accrues to the Issuer in respect of the Further Portfolio from (and including) such date;

(m) the Swap Agreement is not terminated and the Swap Provider fully complies with its obligations under the Swap Agreement;

(n) on the Further Portfolio Sale Date, the characteristics of the Further Portfolio mirror the characteristics of the Initial Portfolio (with the exception that no Loan in the Further Portfolio accrues interest with reference to BBR at any time);

(o) the Early Repayment Charges are, as a percentage of the principal amount prepaid (if any), 3 per cent. during the first twelve months and 2 per cent. from the thirteenth month to (and including) the twenty-fourth months, from (in the case of the Initial Portfolio) 1 July 2014 and (in respect of the Further Portfolio) 1 September 2014;

(p) the Notes are not called on any Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the Principal Amount Outstanding of the Notes on the Closing Date; and

(q) with respect to the Loans and to the Issuer Swap Amount each month consists of 30 calendar days, and each year 360 days and with respect to the Notes and the Swap Provider Amount each month consists of the actual number of days in the relevant month and 365 days in the relevant year.

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

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

1- ((1-R) ^ (12))

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

CPR	**(Assuming Issuer Call on Optional Redemption Date) Possible WAL (in years) of:**					
	Class A Notes	**Class B Notes**	**Class C Notes**	**Class D Notes**	**Class Z Notes**	**Subordinated Notes**
0.0%	4.61	4.89	4.89	4.89	4.89	4.89
6.0%	3.90	4.89	4.89	4.89	4.89	4.89
8.0%	3.69	4.89	4.89	4.89	4.89	4.89
10.0%	3.49	4.89	4.89	4.89	4.89	4.89
15.0%	3.01	4.89	4.89	4.89	4.89	4.89

CPR	(Assuming no Issuer Call on Optional Redemption Date) Possible WAL (in years) of:					
	Class A Notes	**Class B Notes**	**Class C Notes**	**Class D Notes**	**Class Z Notes**	**Subordinated Notes**
0.0%	9.89	17.26	18.18	18.65	18.98	19.43
6.0%	6.10	13.43	14.67	15.15	15.70	16.47
8.0%	5.32	12.35	13.72	14.40	14.87	15.66
10.0%	4.69	11.38	12.82	13.65	14.12	14.99
15.0%	3.54	9.36	10.82	11.65	12.27	13.49

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

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Rated Notes and the Class Z Notes to pay the Initial Consideration payable by the Issuer for the Initial Portfolio to be acquired from the Seller on the Closing Date and to establish the Prefunding Reserve Ledger.

On the Closing Date, the Issuer will use the gross proceeds of the Subordinated Notes to (a) establish the Rated Note Reserve Fund, (b) establish the Class A Liquidity Reserve Fund and (c) retain an amount equal to the Prefunding Yield Maintenance Required Amount in the Deposit Account.

RATINGS

The Rated Notes, on issue, are expected to be assigned the following ratings by Fitch and S&P. The Class Z Notes and the Subordinated Notes will not be rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency if, in its judgement, circumstances so warrant.

Class of Notes	**Fitch**	**S&P**
Class A Notes	AAAsf	AAA(sf)
Class B Notes	AAsf	AA(sf)
Class C Notes	Asf	A(sf)
Class D Notes	BBBsf	BBB+(sf)
Class Z Notes	Not rated	Not rated
Subordinated Notes	Not rated	Not rated

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

(a) the likelihood of full and timely payment to the Rated Noteholders of all payments of interest on each Interest Payment Date; and

(b) the likelihood of ultimate payment to the Rated Noteholders of principal in relation to the Rated Notes on or before the Final Maturity Date.

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

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 9 May 2014 (registered number 9033084) as a public limited company under the Companies Act 2006. The registered office of the Issuer is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0)20 7398 6300. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each of which one share is fully-paid up and 49,999 shares are quarter-paid and all shares are held by Holdings (see "*Holdings*" below).

The Issuer has no Subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer.

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

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

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

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

Directors

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

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

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

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

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 9 May 2014 (registered number 9033071) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The issued share capital of Holdings comprises one ordinary share of £1. SFM Corporate Services Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

Neither the Seller nor any company connected with the Seller can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer.

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

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

Directors

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

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

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

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

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

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.

THE SELLER

The Seller is a special purpose warehousing vehicle and was incorporated in England and Wales on 30 October 2008 (registered number 6737937) as a private limited company under the Companies Act 2006. The Seller was re-registered as a public limited company on 6 April 2010. The registered office of the Seller is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Seller's registered office is +44 (0)20 7398 6300. The authorised share capital of the Seller comprises 50,000 ordinary shares of £1 each. The issued share capital of the Seller comprises 50,000 ordinary shares of £1 each, of which:

(a) one share is fully paid up and 49,998 shares are quarter-paid, each held by Issuer Purchaser Holdings Limited; and

(b) one share is half paid up, held by SFM Nominees Limited.

The Seller has no Subsidiaries. The Originator does not own directly or indirectly any of the share capital of the Seller.

In accordance with a corporate services agreement dated 18 May 2010, Structured Finance Management Limited as corporate services provider currently provides to the Seller certain directors, a registered and administrative office, the arrangement of meetings of directors and shareholders and procure the service of a company secretary.

The Seller has acquired, and will acquire from the Originator, certain residential mortgage loans and their related security (including the Portfolio) originated by the Originator pursuant to the terms of one or more mortgage sale agreements.

CHARTER COURT FINANCIAL SERVICES LIMITED

CCFS is a private limited company incorporated in England on 14 November 2008 (registration number 6749498). CCFS is an originator and servicer of residential mortgage loans in the United Kingdom.

CCFS is authorised and regulated by the FCA under registration number 494549, and is an Associate Member of the Council of Mortgage Lenders and the Intermediary Mortgage Lending Association.

CCFS holds and maintains applicable registrations under the Data Protection Act 1998 and the relevant interim permissions on the FCA's interim permission consumer credit register to carry out relevant consumer credit activities required under the FSMA.

CCFS has servicer ratings of RSS2- and RPS3+ by Fitch Ratings Limited.

CCFS is 100 per cent. owned by Charter Court Financial Services Group Limited, a private limited company established on 1 October 2008 under the laws of England (registration number 6712054). Charter Court Financial Services Group Limited and its affiliated group companies specialise in mortgage origination, mortgage servicing and asset management services.

The registered office of CCFS is at 2 Charter Court, Broadlands, Wolverhampton WV10 6TD.

THE 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 U.K. Financial Conduct Authority and Prudential Regulation Authority.

U.S. Bank Global Corporate Trust Services in combination with U.S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than $4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with $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.

ISSUER ACCOUNT BANK

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 U.K. Financial Conduct Authority and Prudential Regulation Authority.

U.S. Bank Global Corporate Trust Services in combination with U.S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than $4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

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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.

U.S. Bank Trustees Limited will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties thereunder or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. U.S. Bank Trustees Limited will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Charged Assets and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Note Trustee and Security Trustee, respectively, is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Seller, the Originator and/or any of their respective Subsidiaries and affiliates and any other person whatsoever and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Seller, the Originator and/or any of their respective Subsidiaries and affiliates and any other person whatsoever, (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, the Noteholders or the other Secured Creditors 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.

THE SWAP PROVIDER

Credit Suisse International will enter into the Swap Agreement in its capacity as Swap Provider.

The Swap Provider was incorporated in England and Wales under the Companies Act 1985, on 9 May 1990, with registered no. 2500199 and was re-registered as an unlimited company under the name "Credit Suisse Financial Products" on 6 July 1990, and was renamed Credit Suisse First Boston International on 27 March 2000 and Credit Suisse International on 16 January 2006. Its registered office and principal place of business is at One Cabot Square, London E14 4QJ, telephone number +44 (0)20 7888 8888. The Swap Provider is an English bank and is regulated as an EU credit institution by the FCA and the PRA under the Financial Services Act 2012. The PRA has issued a scope of permission notice authorising the Swap Provider to carry out specified regulated investment activities.

The Swap Provider is an unlimited company and, as such, its shareholders have a joint, several and unlimited obligation to meet any insufficiency in the assets of the Swap Provider in the event of its liquidation. The joint, several and unlimited liability of the shareholders of the Swap Provider to meet any insufficiency in the assets of the Swap Provider will only apply upon liquidation of the Swap Provider. Therefore, prior to any liquidation of the Swap Provider, the creditors may only have recourse to the assets of the Swap Provider and not to those of its shareholders.

The Swap Provider commenced business on 16 July 1990. Its principal business is banking, including the trading of derivative products linked to interest rates, foreign exchange, equities, commodities and credit. The primary objective of the Swap Provider is to provide comprehensive treasury and risk management derivative product services. The Swap Provider has established a significant presence in global derivative markets through offering a full range of derivative products and continues to develop new products in response to the needs of its customers and changes in underlying markets. The business is managed as a part of the Investment Banking Division of Credit Suisse AG in the Europe, Middle East and Africa region, and is supported by Credit Suisse AG's Shared Services Division, which provides business support services in such areas as finance, legal, compliance, risk management, and information technology.

THE COLLECTION ACCOUNT BANK

Barclays Bank PLC will act as Collection Account Bank.

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

Barclays Bank PLC and its subsidiary undertakings (taken together, the **Group**) is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

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

Based on the Bank Group's audited financial information for the year ended 31 December 2013, the Bank Group had total assets of £1,312,840m (2012: £1,488,761m), total net loans and advances[1] of £468,664m (2012: £464,777m), total deposits[2] of £482,770m (2012: £ 462,512m), and total shareholders' equity of £63,220m (2012: £59,923m) (including non-controlling interests of £2,211m (2012: £2,856m)). The profit before tax from continuing operations of the Bank Group for the year ended 31 December 2013 was £2,855m (2012: £650m) after credit impairment charges and other provisions of £3,071m (2012: £3,340m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2013.

[1] Total net loans and advances include balances relating to both bank and customer accounts.
[2] Total deposits include deposits from bank and customer accounts.

THE CORPORATE SERVICES PROVIDER

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

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

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

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

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

THE LOANS

The Portfolio

Introduction

The following is a description of some of the characteristics of the Loans comprised in the Initial Portfolio, or those Loans that will comprise the Further Portfolio, including details of loan types and selected statistical information.

The Seller procured the selection of the Loans for transfer into the Initial Portfolio, and will procure the selection of the Loans for transfer into the Further Portfolio, using a system containing defined data on each of the qualifying loans. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller and the Originator will make in the Mortgage Sale Agreement in relation to the Loans. The Loans comprising the Further Portfolio are also subject to the Further Purchase Conditions. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. The Loans selected for transfer into the Initial Portfolio and the Further Portfolio are or will be representative of the Loans meeting the selection criteria which the Seller holds immediately prior to the sale of the Initial Portfolio and the Further Portfolio (as applicable). After a pool of Loans is selected in this way, the constituent Loans are monitored so that they continue to comply with the Loan Warranties on the Closing Date (in respect of the Initial Portfolio) or (if applicable) on the Further Portfolio Sale Date (in respect of the Further Portfolio), as applicable.

Unless otherwise indicated, the description that follows relates to types of loans that could be sold to the Issuer as part of the Initial Portfolio as at the Closing Date or as part of the Further Portfolio as at the Further Portfolio Sale Date.

The Portfolio

The Portfolio from time to time after the Closing Date will comprise loans advanced to the Borrowers upon the security of residential property situated in England, Wales or Scotland, such loans acquired pursuant to the Mortgage Sale Agreement, other than Loans which have been repaid or which have been purchased from the Issuer pursuant to the Mortgage Sale Agreement.

Origination of the Portfolio

The Initial Portfolio comprises of, and the Further Portfolio will comprise of, Loans originated by CCFS under its trading name of Precise Mortgages.

Security

All of the Loans are secured by first ranking mortgages.

Interest Rate Types

The Initial Portfolio consists of, and the Further Portfolio will consist of, Loans which have (currently or after an initial specific period) a variable interest rate (the **Floating Mortgage Rate**) that is based on the London Interbank Offered Rate for Sterling deposits (**LIBOR**) or the Bank of England Base Rate (**BBR**), plus, for each mortgage, a fixed margin expressed as a percentage over the Floating Mortgage Rate, including:

(i) Loans where the Floating Mortgage Rate is discounted for a specific period and reverts to a Floating Mortgage Rate, with the latest permissible date of reversion being 31 August 2016; and

(ii) Loans where the interest rate applicable to that Loan is a fixed rate of interest for a specific period that reverts to a Floating Mortgage Rate, with the latest date of reversion being 30 September 2018.

Characteristics of the Loans

Repayment Terms

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product including free valuations and payment of legal fees. Overpayments are allowed on all products, within certain limits. See "*Overpayments and Early Repayment Charges*" below.

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 matures, 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 so that, when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum.

The required monthly payment in respect of the Loans may alter from month to month for various reasons, including changes in interest rates.

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 "*Overpayments and 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 from a bank or building society account; and

- standing order from a bank or building society account.

Capitalising Arrears

In certain circumstances following the accrual of Arrears representing amounts other than principal repayments on a Loan, the relevant Borrowers may be given the option to capitalise such Arrears. **Capitalisation** is an arrangement to manage Arrears in respect of a Loan, which involves adding the balance of Arrears (other than Arrears of principal) in respect of such Loan to the Current Balance of such Loan and allowing that amount to be cleared over the remaining term of such Loan.

The Servicer shall assess and service any Capitalisation in accordance with the capitalisation policy relating to the capitalisation of Arrears, as such policy applies to all loans serviced by the Servicer from time to time (including the Loans) (the **Capitalisation Policy**). As at the date of this Prospectus, the Capitalisation Policy contains the following features:

(a) Capitalisation will only be considered as a treatment when:

  (i) the Servicer understands the relevant Borrower's financial and personal circumstances;

(ii) long term affordability has been explored with the relevant Borrower;

(iii) all other treatments have been appropriately explored or exhausted with the relevant Borrower;

(iv) it is deemed by the relevant Borrower to be in its best interest; and

(v) the relevant Borrower has completed an income and expenditure assessment.

(b) The risks and implications associated with Capitalisation will be clearly articulated to the Borrower prior to capitalising their Arrears. The Borrower will be advised to seek independent advice before deciding if Capitalisation is the right option for them.

(c) Capitalisation will not be applied automatically.

(d) In order to be eligible for Capitalisation:

(i) the relevant Borrower should have maintained its contractual monthly payments for a minimum of 12 consecutive months and have demonstrated an ability to maintain the higher payments due as a result of the Capitalisation; and

(ii) the relevant Borrower must not have had any Arrears capitalised in the preceding 12 months.

The Servicer may update the Capitalisation Policy from time to time in accordance with the standards of a Reasonable, Prudent Residential Mortgage Servicer. In so doing the Servicer shall adhere to the then current regulatory requirements imposed by and/or guidance issued by, without limitation, the FCA and the CCA. See the sections entitled "*Risk Factors – Consumer Protection from Unfair Trading Regulations 2008*" for further details.

Arrears means as at any date in respect of any Loan, all amounts currently due and payable on that Loan which remain unpaid on that date, provided that such overdue amounts equal, in the aggregate, one or more full Monthly Instalments.

Overpayments and Early Repayment Charges

Overpayments – Overpayments are allowed on all products, although an Early Repayment Charge may be payable. Borrowers may either increase their regular monthly payments above the normal monthly payment then applicable or make lump sum payments at any time.

For the Loans in the Portfolio, if Borrowers with daily calculations of interest pay more than the scheduled monthly payment, and the sum of the balance of overpayments not applied is equal to or more than 150 per cent. of the Borrower's contractual monthly mortgage payment, the overpayment amount will be applied to the balance on their mortgage loan, which will be reduced accordingly, and, an Early Repayment Charge will be incurred. To the extent the sum of non-allocated overpayment amounts remains below 150 per cent. of the Borrower's then contractual monthly payment, the non-allocated overpayment amounts will pay down the Borrower's account on the next date on which the mortgage interest rate resets, either as a result of a base reset or as a result of the Borrower moving onto a reversion rate. The Servicer will charge interest on the reduced balance, which reduces the amount of interest the Borrower must pay.

Early Repayment Charges – The Borrower will be required to pay an Early Repayment Charge if certain events occur during the predetermined product period and the Servicer has not waived or revised its policy with regards the payment of early repayment charges. These events include a full or partial unscheduled repayment of principal, or an agreement between the Servicer and the Borrower to switch to a different mortgage product. If all or part of the principal owed by the Borrower, other than the scheduled monthly payments, is repaid before the end of the product period, the Borrower will be liable to pay to the Originator a repayment fee based on the amount repaid or switched to another product.

Amounts of principal may be prepaid in full or in part on any Business Day. The Borrower may make an early repayment of a part of the principal due on the relevant Loan.

In respect of the Loans comprising the Initial Portfolio, an Early Repayment Charge will be incurred if Borrowers pay more than the scheduled monthly payment, and the sum of the balance of overpayments not applied is equal to or more than 150 per cent. of the Borrower's contractual monthly mortgage payment. See the second paragraph above for further details.

Title to the Portfolio

Pursuant to and under the terms of the Mortgage Sale Agreement dated on or about the Closing Date, the Seller will transfer to the Issuer the equitable or (in respect of the Scottish Loans) beneficial title to the Loans and their Related Security. The Originator has agreed to transfer legal title to the Loans and their Related Security to the Issuer, and the Issuer has undertaken to seek the transfer of legal title, only following the occurrence of a Perfection Event (as set out below).

None of the above mentioned transfers to the Issuer is to be completed by registration at the Land Registry or the Registers of Scotland (as the case may be) or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. The English Loans in the Portfolio and their Related Security are accordingly owned in equity only by the Issuer pending such registration and notification and the Scottish Loans in the Portfolio and their Related Security are accordingly held on trust for the Issuer pending such registration and notification. Legal title in the Loans and their Related Security will continue to be vested in the Originator until the occurrence of a Perfection Event. In the case of the Loans secured over registered land in England or Wales or registered or recorded land in Scotland which will be transferred to the Issuer on the Closing Date, the Originator has agreed to remain on the Land Registry or the Registers of Scotland, as applicable, as the legal mortgagee or as heritable creditor. Following the occurrence of a Perfection Event, the Originator has agreed, in the Mortgage Sale Agreement, to transfer legal title to the Issuer, which transfer will be perfected by steps including filing forms and assignations of standard securities at the Land Registry or the Registers of Scotland and notifying the Borrower of such transfer, as applicable, by the Issuer.

The Issuer will grant a first fixed charge in favour of the Security Trustee over its interest in the Loans (being, in respect of the Scottish Loans, an assignation in security of its interest in and to each Scottish Declaration of Trust and the trust constituted thereunder).

Save as mentioned below, the Security Trustee has undertaken not to effect any registration at the Land Registry or the Registers of Scotland (as the case may be) to protect the sale of the Loans to the Issuer or the granting of security over the Loans by the Issuer in favour of the Security Trustee nor, save as mentioned below, to obtain possession of Title Deeds to the properties the subject of the Loans.

Notices of the equitable assignments or declarations of trust in favour of the Issuer and the security in favour of the Security Trustee will not, save as mentioned below, be given to the Borrowers under the Loans.

As noted above, until the occurrence of a Perfection Event, the Issuer and the Security Trustee will not take actions to effect a transfer of legal title to the Loans and their Related Security to the Issuer. The following events constitute Perfection Events:

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

(b) it becoming necessary by law to do any or all of the acts referred to in paragraph (a) above; or

(c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy; or

(d) the Originator calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or

(e) an Insolvency Event occurring in relation to the Originator; or

(f) it becoming unlawful in any applicable jurisdiction for the Originator to hold legal title in respect of any Loan in the Portfolio.

Following the occurrence of a Perfection Event, the Issuer and the Security Trustee will each be entitled to take all necessary steps to perfect legal title to its interests in the Loans and their Related Security, including the carrying out of any necessary registrations, recordings and notifications. In furtherance of these rights, the Originator has granted the Issuer and the Security Trustee an irrevocable power of attorney to take certain action in the name of the Originator (including action required to perfect a legal transfer of the Loans and their Related Security).

Warranties and Breach of Warranties in relation to the Loans

The Mortgage Sale Agreement contains certain representations and warranties given by the Seller in favour of the Issuer in relation to the Loans and their Related Security sold to the Issuer pursuant to the Mortgage Sale Agreement.

No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer. The Issuer will rely entirely on the benefit of the representations and warranties given to it under the Mortgage Sale Agreement.

If there is an unremedied material breach of any of the Loan Warranties given under the Mortgage Sale Agreement then the Seller and the Originator are required, on a joint and several basis, to repurchase the relevant Loan pursuant to the Mortgage Sale Agreement for consideration in cash equal to the Current Balance of the Loans (disregarding for the purposes of any such calculation (a) any porting in relation to such Loan and (b) to the extent that the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Originator, the amount of any such reduction in the Current Balance) and any repurchase costs on the relevant date of any such repurchase.

Lending Criteria

As at the date of this Prospectus, Precise offers a number of different products, including first ranking mortgage loans, second ranking mortgage loans and bridging loans. The loans comprised in the Initial Portfolio and to be comprised in the Further Portfolio will all consist of loans secured by (in the case of English Loans) a first charge or (in the case of Scottish Loans) a first ranking standard security against residential properties located in England or Wales (in the case of English Loans) or Scotland (in the case of Scottish Loans). All relevant Borrowers are required to have (in respect of an English Loan) good and marketable title or (in respect of a Scottish Loan) valid and marketable heritable or long lease title to the relevant Property free from any encumbrance (except the relevant Mortgage) which would adversely affect such title.

Save for Title Deeds held at the Land Registry or the Registers of Scotland (as the case may be), all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by the Originator or the Servicer (on behalf of the Originator) or its solicitors or agents and the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors, and in relation to the Title

Deeds held at the Registers of Scotland in respect of Properties title to which is recorded in the General Register of Sasines, such Title Deeds are held on the basis that they (other than the dematerialised copies of the Title Deeds) shall be returned to the Originator or the Servicer or its solicitors or agents.

Only properties of suitable construction are considered acceptable as security and properties including (but not limited to) the following are not acceptable to Precise:

- studio flats;
- property where commercial usage exceeds 20 per cent.;
- flats or maisonettes in blocks exceeding 15 storeys;
- mobile homes and houseboats;
- property where saleability may be adversely affected by local planning or by an unsatisfactory mining search; and
- any property deemed unsuitable security by the valuer.

Precise only lends to individuals and not to companies. Individuals are required to (a) be a national of the UK, (b) be a national of a Member State of the European Economic Area, or (c) otherwise have permanent rights to reside in the UK. Where individuals qualify under either (b) or (c) they are also required to have been a resident in the UK for the last 3 years.

Precise does not accept any re-mortgage applications within 12 months of either the original purchase date of the property or the last re-mortgage date in relation to the property where it is a Home Owner Loan and within 6 months of either the original purchase date of the property or the last re-mortgage date in relation to the property where it is a Buy-to-Let Loan.

The maximum loan amount permitted by Precise is £2,000,000 where the loan is a residential loan but not a Buy-To-Let Loan (a **Home Owner Loan**) and £1,000,000 for Buy-To-Let Loans. The maximum term is 30 years. The minimum age of borrowers (in the case of interest-only loans) is 25 at the time of application and the maximum age of borrowers at the maturity of the Loan will not exceed 75. Where the borrower's affordability is assessed in the underwriting of such Loan and, where it is identified that the applicant has a fixed retirement age, the maturity date of the relevant Loan will not fall after that borrower's intended retirement age.

The income of applicants is assessed by reference to the application form and the supporting documentation, depending on the source of income being validated and minimum income requirements applied. Other than in relation to buy-to-let loans, the property is required to constitute the principal residence of the relevant Borrower.

The LTV in relation to purchases is calculated by dividing the total amount of the loan by the current market value determined by the valuation or the purchase price of the property (whichever is the lower). The maximum LTV is 85 per cent. (net of any amounts added to the loan in respect of fees). In relation to re-mortgages, the maximum LTV available is calculated based on the current market value determined by the valuation. Valuations are carried out in accordance with a valuation methodology as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender. Any fees could be added to the balance of a loan resulting in a higher maximum LTV (capped at 88 per cent.).

Servicing of the Portfolio

The Servicer will be required from the Closing Date to service the Portfolio as an agent of the Issuer and the Security Trustee and, where applicable, the Originator under and in accordance with the terms of the Servicing Agreement. The duties of the Servicer will include, among other things:

- operating the Collection Accounts and ensuring that payments are made into and from the Collection Accounts in accordance with the Servicing Agreement;
- notifying the Borrowers of any change in their Monthly Instalments;
- providing a redemption statement upon the request of a Borrower or the Borrower's solicitor or licensed or qualified conveyancer;
- taking all reasonable steps to recover all sums due to the Issuer, including by the institution of proceedings and/or the enforcement of any Mortgage or any Related Security; and
- taking all action and doing all things which it would be reasonable to expect a Reasonable, Prudent Residential Mortgage Servicer to do in administering its mortgages.

Collection Accounts means (i) the DD Collection Account, (ii) the Non-DD 2014-1 Collection Account and (iii) the Non-DD Collection Account, and any other replacement or additional collection account of the Originator in respect of which amounts are received in respect of the Loans, over which the Originator (A) will declare a trust pursuant to the DD Collection Account Declaration of Trust and Account Bank Deed, (B) will declare a trust pursuant to the Non-DD 2014-1 Collection Account Declaration of Trust and (C) has declared a trust pursuant to the Non-DD Collection Account Declaration of Trust, to which the Issuer shall accede as a beneficiary pursuant to the Non-DD Collection Account Accession Undertaking, respectively.

Collections means Revenue Receipts and Redemption Receipts.

DD Collection Account means the account held in the name of the Originator with the Collection Account Bank into which amounts received in respect of the Loans arising by way of Direct Debit payments from the Borrowers shall be paid.

Non-DD 2014-1 Collection Account means the account held in the name of the Originator with the Collection Account Bank into which amounts received in respect of certain of the Loans arising by way of non-Direct Debit payments from the Borrowers shall be paid.

Non-DD Collection Account means the account held in the name of the Originator with the Collection Account Bank into which amounts received in respect of certain of the Loans arising by way of non-Direct Debit payments from the Borrowers shall be paid.

Enforcement Procedures

The Servicer has established procedures for managing loans which are in arrears, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. The procedures permit discretion to be exercised by the appropriate officer of the Servicer in many circumstances. These procedures, as from time to time varied in accordance with the practice of a Reasonable, Prudent Residential Mortgage Servicer or with the consent of, *inter alia*, the Issuer and the Security Trustee, are required to be used by the Servicer in respect of arrears arising on the Loans.

Reasonable, Prudent Residential Mortgage Servicer means a reasonably prudent residential mortgage servicer who is servicing residential mortgage loans and their collateral security in respect of residential property in England, Wales or Scotland and which have in all material respects the same or similar characteristics to the Portfolio and are originated, administered and held to maturity to lending standards, lending criteria and procedures as ought to have been applied in relation to the Portfolio or, if the relevant context in this agreement relates to a specific Loan, as ought to have been applied in relation to such Loan.

In order to realise its security in respect of a Property, the relevant mortgagee or, as applicable, heritable creditor (be it the legal owner (the Originator), the equitable or, as the case may be, the beneficial owner (the Issuer), the Security Trustee or its appointee (if the Security Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession for this purpose: first, by taking physical possession (seldom done in practice), and, second, by obtaining a court order.

If a mortgagee or, as applicable, heritable creditor takes physical possession, it will, as mortgagee or, as applicable, heritable creditor in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements.

Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the loan and/or mortgage.

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

Insurance Contracts

Buildings Insurance

Buildings insurance at the date of completion of the relevant Loan is confirmed through the relevant conveyancer confirming the policy number on the relevant certificate of title. After the date of completion of the relevant Loan, to the extent that a Borrower does not maintain buildings insurance, the Originator maintains the following forms of contingency insurance cover:

- **Properties in Possession Cover**, being the block properties in possession insurance policy of the Originator, written by Royal Sun Alliance, for any possessed Properties;

- **Lender Interest Only Cover**, being a policy of the Originator written by Royal Sun Alliance, whereby the Originator (or the Servicer on its behalf) places Borrowers on such Lender Interest Only Cover when the Originator or Servicer becomes aware that the Borrower's own insurance in respect of the Property referable to its Loan has expired or lapsed. The premium of the Lender Interest Only Cover is charged back to the Borrower on a monthly basis; and

- **Failure to Insure Cover**, being a policy of the Originator, written by Royal Sun Alliance, covering all loans originated by the Originator, the premium being paid by the Servicer. The Failure to Insure Cover would pay out if a Borrower's own policy has been cancelled but the Servicer has not been notified of such an event and so Lender Interest Only Cover has not been put in place,

the Properties in Possession Cover, Lender Interest Only Cover and Failure to Insure Cover together being the **Block Insurance Policies**.

Credit Risk Mitigation

The Originator has internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation.

The policies and procedures of the Originator in this regard broadly include the following:

(a) criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits (as to which, in relation to the Loans, please see the information set out in this Prospectus headed *"The Loans – Lending Criteria" and "Summary of the Key Transaction Documents – Servicing Agreement"*;

(b) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures (as to which it should be noted that the Portfolio will be serviced in line with the servicing procedures of the Originator and the Servicer – please see further the section of this Prospectus headed *"Summary of the Key Transaction Documents – Servicing Agreement"*);

(c) adequate diversification of credit portfolios given the Originator'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 Provisional Portfolio"*); and

(d) policies and procedures in relation to risk mitigation techniques (as to which, please see further the section of this Prospectus headed "*The Loans – Lending Criteria*" and "Summary of the Key Transaction Documents – Servicing Agreement".

Governing Law

Each of the English Loans and any non-contractual obligations arising out of or in connection with them are governed by English law. Each of the Scottish Loans and any non-contractual obligations arising out of or in connection with them are governed by Scots law.

CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this Prospectus (including the tables below) has been compiled by reference to loans originated by the Originator in a provisional portfolio as at the Portfolio Reference Date (the **Provisional Portfolio**).

The Provisional Portfolio consisted of 1,484 loans originated by the Originator between November 2013 and June 2014 and secured over properties located in England, Wales and/or Scotland. The Current Balance of the loans in the Provisional Portfolio on the Portfolio Reference Date was £203,288,784.75. The Initial Portfolio, which will be sold to the Issuer on the Closing Date, will be selected from the Provisional Portfolio. Columns may not add up to 100 per cent. due to rounding. The Properties over which the loans in the Provisional Portfolio are secured have not been revalued for the purposes of the issue of the Notes. The characteristics of the Initial Portfolio will differ from those set out below as a result of, among other things, repayments and redemptions of the loans from the Portfolio Reference Date to the Closing Date and removal of any loans that do not comply with the Loan Warranties as at the Closing Date. If loans selected for the Initial Portfolio are repaid in full between 1 July 2014 and the Closing Date, the principal recoveries from that loan will form part of the Available Redemption Receipts. Except as otherwise indicated, these tables have been prepared using the Current Balance of the loans in the Provisional Portfolio as at the Portfolio Reference Date, which includes all principal and accrued interest for the loans in the Provisional Portfolio.

Summary table of the Provisional Portfolio

Portfolio Reference Date:	31 May 2014 for loans originated on or prior to 31 May 2014, and as at the date of the origination for loans originated after 31 May 2014 but prior to 21 June 2014
Current Balance (£):	203,288,784.75
No. of accounts:	1,484
Average account balance (£):	136,987.05
First legal mortgage / first ranking standard security %:	100.00%
Weighted average Original Loan to Value Ratio %:	72.68%
Weighted average Current Loan to Value Ratio %:	72.53%
Weighted average interest rate %:	5.06%
Interest-only Loans %:	26.12%
Repayment Loans %:	73.88%
Weighted average seasoning (months)*:	3.14
Weighted average remaining term (years)*:	22.58
Arrears %:	0.00%
Full property valuation (as % of Current Balance):	100.00%
Self-certified Loans (as % of Current Balance):	0.00%
Self-employed borrowers (as % of Current Balance):	32.51%
Owner occupied properties (as % of Current Balance):	70.89%
Buy-To-Let Loans (as % of Current Balance):	29.11%
Right to buy Loans (as % of Current Balance):	0.00%
First time buyer (as % of Current Balance):	23.25%
Home purchase Loans (as % of Current Balance):	60.95%
Refinance Loans (as % of Current Balance):	39.05%

Current Balances

The following table shows the distribution of Loans by their Current Balance as at the Portfolio Reference Date.

Current Balance	**Aggregate Current Balance as at the Portfolio Reference Date (£)**	**% of total**	**Number of Loans**	**% of total**
<= 70,000	11,675,951.60	5.74%	205	13.81%
70,000 < x <= 90,000	19,484,443.61	9.58%	244	16.44%
90,000 < x <= 110,000	23,461,245.48	11.54%	235	15.84%
110,000 < x <= 130,000	23,127,004.26	11.38%	193	13.01%
130,000 < x <= 150,000	19,995,775.87	9.84%	143	9.64%
150,000 < x <= 170,000	16,818,744.23	8.27%	106	7.14%
170,000 < x <= 190,000	15,454,970.05	7.60%	86	5.80%
190,000 < x <= 210,000	14,191,087.37	6.98%	71	4.78%
210,000 < x <= 230,000	8,300,968.46	4.08%	38	2.56%
230,000 < x <= 600,000	48,426,878.46	23.82%	160	10.78%
> 600,000	2,351,715.36	1.16%	3	0.20%
Totals	203,288,784.75	100.00%	1,484	100.00%

* As at 20 June 2014.

Original Loan to Value Ratios

The following table shows the range of **Original Loan to Value Ratios** or **OLTV Ratios**, which express the original balance of the Loans as at the Portfolio Reference Date divided by the original valuation of the Property securing that Loan.

OLTV Ratios (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of total	Number of Loans	% of total
<= 58	23,724,578.29	11.67%	239	16.11%
58 < x <= 60	3,148,114.23	1.55%	25	1.68%
60 < x <= 62	5,103,249.14	2.51%	37	2.49%
62 < x <= 64	4,502,036.83	2.21%	30	2.02%
64 < x <= 66	5,271,749.78	2.59%	34	2.29%
66 < x <= 68	7,319,614.75	3.60%	41	2.76%
68 < x <= 70	8,031,433.83	3.95%	44	2.96%
70 < x <= 72	11,419,554.52	5.62%	84	5.66%
72 < x <= 74	9,299,368.49	4.57%	58	3.91%
74 < x <= 76	27,088,667.77	13.33%	160	10.78%
76 < x <= 78	19,679,832.43	9.68%	171	11.52%
78 < x <= 80	5,850,602.47	2.88%	45	3.03%
80 < x <= 82	34,313,193.99	16.88%	241	16.24%
82 < x <= 88	38,536,788.23	18.96%	275	18.53%
Totals	203,288,784.75	100.00%	1,484	100.00%

Current Loan to Value Ratios

The following table shows the range of **Current Loan to Value Ratios** or **CLTV Ratios**, which are calculated by dividing the Current Balance of a Loan as at the Portfolio Reference Date by the original valuation of the Property securing that Loan.

CLTV Ratios (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of total	Number of Loans	% of total
<= 58	23,945,063.70	11.78%	241	16.24%
58 < x <= 60	3,225,704.44	1.59%	26	1.75%
60 < x <= 62	4,906,871.86	2.41%	35	2.36%
62 < x <= 64	5,088,445.47	2.50%	34	2.29%
64 < x <= 66	6,027,556.73	2.97%	37	2.49%
66 < x <= 68	6,272,827.68	3.09%	37	2.49%
68 < x <= 70	8,379,041.18	4.12%	47	3.17%
70 < x <= 72	10,809,459.02	5.32%	78	5.26%
72 < x <= 74	10,004,055.69	4.92%	63	4.25%
74 < x <= 76	27,758,974.02	13.65%	164	11.05%
76 < x <= 78	19,059,061.61	9.38%	167	11.25%
78 < x <= 80	6,912,025.60	3.40%	51	3.44%
80 < x <= 82	32,240,263.00	15.86%	228	15.36%
82 < x <= 88	38,659,434.75	19.02%	276	18.60%
Totals....................................	203,288,784.75	100.00%	1,484	100.00%

Geographical distribution

The following table shows the regional distribution of Properties securing the Loans throughout England, Wales and Scotland as at the Portfolio Reference Date.

Region	**Aggregate Current Balance as at the Portfolio Reference Date (£)**	**% of total**	**Number of Loans**	**% of total**
East Anglia	26,853,558.43	13.21%	171	11.52%
East Midlands	13,553,306.02	6.67%	134	9.03%
South East Inc London	80,410,773.53	39.55%	429	28.91%
North	4,906,622.95	2.41%	51	3.44%
North West	18,815,719.44	9.26%	183	12.33%
Scotland	7,661,085.54	3.77%	68	4.58%
South West	15,540,610.29	7.64%	118	7.95%
Wales	6,977,491.55	3.43%	67	4.51%
West Midlands	16,221,430.70	7.98%	143	9.64%
Yorks and Humber	12,348,186.30	6.07%	120	8.09%
Totals	203,288,784.75	100.00%	1,484	100.00%

Month of origination

The following table shows the distribution of Loans by month of origination.

Month of origination	**Aggregate Current Balance as at the Portfolio Reference Date (£)**	**% of total**	**Number of Loans**	**% of total**
Nov-13	15,625,874.46	7.69%	114	7.68%
Dec-13	18,352,628.75	9.03%	130	8.76%
Jan-14	24,430,098.00	12.02%	186	12.53%
Feb-14	27,379,493.27	13.47%	216	14.56%
Mar-14	25,208,234.10	12.40%	191	12.87%
Apr-14	26,878,120.90	13.22%	196	13.21%
May-14	32,188,199.27	15.83%	240	16.17%
Jun-14	33,226,136.00	16.34%	211	14.22%
Totals	203,288,784.75	100.00%	1,484	100.00%

Years to maturity of Loans

The following table shows the distribution of Loans according to the number of years remaining until their maturity as at 20 June 2014.

Years to maturity	Aggregate Current Balance as at 20 June 2014 (£)	% of total	Number of Loans	% of total
<= 15	32,104,399.01	15.79%	287	19.34%
15 < x <= 17	10,356,078.97	5.09%	77	5.19%
17 < x <= 20	29,496,855.82	14.51%	239	16.11%
20 < x <= 22	11,576,760.72	5.69%	74	4.99%
22 < x <= 24	8,808,953.73	4.33%	57	3.84%
24 < x <= 26	54,979,894.12	27.05%	376	25.34%
26 < x <= 28	5,322,745.63	2.62%	36	2.43%
28 < x <= 30	48,127,547.75	23.67%	320	21.56%
30 < x <= 32	2,515,549.00	1.24%	18	1.21%
Totals	203,288,784.75	100.00%	1,484	100.00%

Interest rate types

The following table shows the distribution of the interest rate types of the Loans as at the Portfolio Reference Date.

Product type	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of total	Number of Loans	% of total
Floating Rate Loan linked to BBR	0.00	0.00%	0	0.00%
Floating Rate Loan linked to LIBOR	78,396,989.44	38.56%	527	35.51%
Fixed Rate Loan reverting to BBR	498,990.43	0.25%	3	0.20%
Fixed Rate Loan reverting to LIBOR	124,392,804.88	61.19%	954	64.29%
Totals	203,288,784.75	100.00%	1,484	100.00%

Current interest rate

The following table shows the distribution of Loans by applicable interest rate as at the Portfolio Reference Date.

Interest rate (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of total	Number of Loans	% of total
<= 3.0	748,640.43	0.37%	4	0.27%
3.00 < x <= 3.50	10,549,130.79	5.19%	47	3.17%
3.50 < x <= 4.00	18,713,208.55	9.21%	108	7.28%
4.00 < x <= 4.50	32,744,214.77	16.11%	224	15.09%
4.50 < x <= 5.00	28,913,803.90	14.22%	217	14.62%
5.00 < x <= 5.50	42,478,772.24	20.90%	324	21.83%
5.50 < x <= 6.00	40,198,630.26	19.77%	329	22.17%
6.00 < x <= 6.50	20,477,721.97	10.07%	165	11.12%
6.50 < x <= 7.00	7,641,883.64	3.76%	58	3.91%
7.00 < x <= 7.50	822,778.20	0.40%	8	0.54%
7.50 < x <= 8.00	0.00	0.00%	0	0.00%
Totals	203,288,784.75	100.00%	1,484	100.00%

Previous county court judgments

The following table represents the distribution of Loans, according to the number of previous county court judgments (**CCJs**) the Borrower under such Loan had experienced in the 6 years prior to the origination of such Loan.

No. of previous CCJs	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of total	Number of Loans	% of total
0	176,181,702.66	86.67%	1263	85.11%
1	20,441,989.07	10.06%	167	11.25%
2	4,818,154.57	2.37%	40	2.70%
3	1,742,020.06	0.86%	13	0.88%
4	104,918.39	0.05%	1	0.07%
Totals	203,288,784.75	100.00%	1,484	100.00%

Previous bankruptcy(ies) / Individual voluntary arrangements

The following table is based on data recorded at Loan origination.

Bankruptcy / individual voluntary arrangements	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of total	Number of Loans	% of total
None	203,288,784.75	100.00%	1,484	100.00%

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The UK housing market is primarily one of owner-occupied housing, with the remainder in some form of public, private landlord or social ownership. The mortgage market, whereby loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the United Kingdom.

Set out in the following tables are certain characteristics of the United Kingdom mortgage market. No assurance can be given that the Loans in the Portfolio are or will be representative of the information set out in the tables or generally to the performance of the UK housing market. For information relating to the loans contained in the Provisional Portfolio (from which the Initial Portfolio will be selected), see further the section entitled "*Characteristics of the Provisional Portfolio*".

Repossession Rate

The table below sets out the repossession rate of residential properties in the United Kingdom since 1985.

Year	Repossessions (%)	Year	Repossessions (%)	Year	Repossessions (%)
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 published by the Office for National Statistics 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.

Year	House Price to Earnings Ratio	Year	House Price to Earnings Ratio
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	9.12

Source: Council of Mortgage Lenders

House Price Index

UK residential property prices can be measured by, among other indexes, the Nationwide House Price Index (a national non-seasonally adjusted house price index that is derived from Nationwide lending data for properties at the post survey approval stage) and Halifax House Price Index (a national non-seasonally adjusted house price index that is derived from Halifax lending data for properties at the post survey approval stage) (collectively the **Housing Indices**). (Nationwide is a UK building society and Halifax is a brand 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 year-to-year increases in the Housing Indices occurring in the late 1980s and large decreases occurring in the early 1990s and from 2007.

The Nationwide House Price Index and the Halifax House Price Index set out in the following table is based on an original value as at the first quarter of 1993.

	Nationwide House Price Index		**Halifax House Price Index**	
Quarter	**Index**	**% annual change**	**Index**	**% annual change**
March 1992	104.1	-4.3%	210.6	-4.4%
June 1992	105.1	-5.0%	210.4	-5.7%
September 1992	104.2	-4.8%	208.4	-5.6%
December 1992	100.1	-6.5%	199.3	-8.3%
March 1993	100.0	-3.9%	196.9	-6.5%
June 1993	103.6	-1.4%	203.2	-3.4%
September 1993	103.2	-1.0%	204.2	-2.0%
December 1993	101.8	1.8%	202.5	1.6%
March 1994	102.4	2.4%	202.3	2.7%
June 1994	102.5	-1.1%	204.3	0.6%
September 1994	103.2	0.0%	204.3	0.0%
December 1994	104.0	2.2%	200.9	-0.8%
March 1995	101.9	-0.5%	200.3	-1.0%
June 1995	103.0	0.5%	201.0	-1.6%
September 1995	102.4	-0.8%	199.0	-2.6%
December 1995	101.6	-2.3%	197.8	-1.5%
March 1996	102.5	0.6%	200.9	0.3%
June 1996	105.8	2.7%	208.6	3.8%
September 1996	107.7	5.2%	209.8	5.4%
December 1996	110.1	8.3%	212.6	7.4%
March 1997	111.3	8.6%	215.3	7.2%
June 1997	116.5	10.1%	222.6	6.7%
September 1997	121.2	12.5%	223.6	6.6%
December 1997	123.3	12.1%	224.0	5.4%
March 1998	125.5	12.7%	226.4	5.2%
June 1998	130.1	11.7%	234.9	5.5%
September 1998	132.4	9.2%	236.1	5.6%
December 1998	132.3	7.3%	236.3	5.5%
March 1999	134.6	7.3%	236.3	4.4%
June 1999	139.7	7.3%	247.7	5.4%
September 1999	144.4	9.0%	256.7	8.8%
December 1999	148.9	12.6%	263.4	11.5%
March 2000	155.0	15.1%	270.5	14.5%
June 2000	162.0	16.0%	275.6	11.3%
September 2000	161.5	11.8%	277.6	8.1%

	Nationwide House Price Index		Halifax House Price Index	
Quarter	Index	% annual change	Index	% annual change
December 2000............................	162.8	9.4%	278.3	5.7%
March 2001..................................	167.5	8.1%	279.0	3.1%
June 2001.....................................	174.8	7.9%	297.0	7.7%
September 2001...........................	181.6	12.5%	305.0	9.9%
December 2001............................	184.6	13.4%	310.9	11.7%
March 2002..................................	190.2	13.6%	324.3	16.2%
June 2002.....................................	206.5	18.1%	346.6	16.7%
September 2002...........................	221.1	21.7%	369.1	21.0%
December 2002............................	231.3	25.3%	393.0	26.4%
March 2003..................................	239.3	25.8%	400.1	23.4%
June 2003.....................................	250.1	21.1%	422.5	21.9%
September 2003...........................	258.9	17.1%	437.6	18.6%
December 2003............................	267.1	15.5%	453.5	15.4%
March 2004..................................	277.3	15.9%	474.0	18.5%
June 2004.....................................	296.2	18.4%	513.2	21.5%
September 2004...........................	306.2	18.3%	527.2	20.5%
December 2004............................	304.1	13.9%	522.0	15.1%
March 2005..................................	304.8	9.9%	520.2	9.7%
June 2005.....................................	314.2	6.1%	532.1	3.7%
September 2005...........................	314.4	2.7%	543.1	3.0%
December 2005............................	314.0	3.2%	548.4	5.1%
March 2006..................................	319.8	4.9%	552.6	6.2%
June 2006.....................................	329.2	4.8%	582.1	9.4%
September 2006...........................	336.1	6.9%	586.7	8.0%
December 2006............................	343.2	9.3%	602.8	9.9%
March 2007..................................	350.2	9.5%	613.9	11.1%
June 2007.....................................	362.7	10.2%	644.1	10.7%
September 2007...........................	367.3	9.3%	649.3	10.7%
December 2007............................	367.0	6.9%	634.4	5.2%
March 2008..................................	357.8	2.2%	620.9	1.1%
June 2008.....................................	348.1	-4.0%	605.1	-6.1%
September 2008...........................	329.5	-10.3%	568.9	-12.4%
December 2008............................	312.9	-14.7%	531.5	-16.2%
March 2009..................................	298.7	-16.5%	512.5	-17.5%
June 2009.....................................	307.3	-11.7%	514.3	-15.0%
September 2009...........................	319.5	-3.0%	526.5	-7.4%
December 2009............................	323.4	3.4%	537.3	1.1%
March 2010..................................	324.9	8.8%	539.0	5.2%
June 2010.....................................	336.6	9.5%	546.6	6.3%
September 2010...........................	333.9	4.5%	540.4	2.6%
December 2010............................	325.1	0.5%	528.8	-1.6%
March 2011..................................	323.9	-0.3%	523.2	-2.9%
June 2011.....................................	332.7	-1.2%	527.2	-3.5%
September 2011...........................	332.3	-0.5%	528.0	-2.3%
December 2011............................	328.7	1.1%	522.0	-1.3%
March 2012..................................	324.6	0.2%	520.1	-0.6%
June 2012.....................................	329.1	-1.1%	524.7	-0.5%
September 2012...........................	327.0	-1.6%	521.8	-1.2%
December 2012............................	325.0	-1.1%	520.5	-0.3%
March 2013	325.3	0.2%	525.7	1.1%
June 2013.....................................	333.7	1.4%	544.4	3.7%

	Nationwide House Price Index		Halifax House Price Index	
Quarter	**Index**	**% annual change**	**Index**	**% annual change**
September 2013	341.0	4.3%	554.2	6.2%
December 2013	348.0	7.1%	559.5	7.5%
March 2014	355.3	9.2%	571.2	8.7%

Source: Office for National Statistics, Nationwide Building Society and Lloyds Banking Group, respectively

The percentage annual change in the table above is calculated in accordance with the following formula:

LN(x/y) 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/datadownload/data_download.htm, 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 Lloyds Banking Group, which is available on their website, http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp, 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 Lloyds Banking Group, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Portfolio

Under a mortgage sale agreement entered into on or around the Closing Date between, among others, the Seller, the Originator, the Issuer, the Security Trustee and the Servicer (the **Mortgage Sale Agreement**), on (a) the Closing Date, and (b) the Further Portfolio Sale Date the Seller shall (in consideration for payment of the Initial Consideration and the issuance and payment under the Residual Certificates as detailed below):

(a) sell, assign or otherwise transfer to the Issuer pursuant to the Mortgage Sale Agreement a portfolio of English and Welsh residential mortgage loans each secured by an English Mortgage and, where applicable, other Related Security (the **English Loans**); and

(b) direct the Originator (as trustee) to: (i) terminate the existing Scottish declaration of trust over a portfolio of Scottish residential mortgage loans each secured by a Scottish Mortgage and, where applicable, other Related Security sold, assigned or transferred by the Seller to the Issuer pursuant to the terms of the Mortgage Sale Agreement and the relevant Scottish Declaration of Trust (the **Scottish Loans**) and their Related Security; and (ii) thereafter to hold the Scottish Loans and their Related Security on trust for the benefit of the Issuer, and the Originator will thereafter hold on trust under each Scottish Declaration of Trust the Scottish Loans and their Related Security for the benefit of the Issuer.

The English Loans and their Related Security comprising the Initial Portfolio and the Further Portfolio will be assigned by way of equitable assignment to the Issuer, while the Scottish Loans and their Related Security comprising the Initial Portfolio and the Further Portfolio will be held on trust for the Issuer under (in respect of Scottish Loans and their Related Security comprised in the Initial Portfolio) a Scottish Declaration of Trust dated the Closing Date and (in respect of Scottish Loans and their Related Security comprised in the Further Portfolio) a Scottish Declaration of Trust dated the Further Portfolio Sale Date, in each case referred to as the **sale** by the Seller to the Issuer of the Loans and Related Security. The Loans and Related Security comprising the Initial Portfolio and the Further Portfolio and all monies derived therefrom from time to time are referred to herein as the **Portfolio**.

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

(a) the Initial Consideration in an amount equal to the Current Balance of the Loans in the Initial Portfolio as at 1 July 2014, such Initial Consideration being due and payable on the Closing Date; and

(b) the deferred consideration consisting of the Residual Payments in respect of the Initial Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates to be issued by the Issuer and delivered to, or at the direction of, the Seller on the Closing Date.

Any Residual Payment payable pursuant to the Residual Certificates will be paid in accordance with the priority of payments set out in the section headed "*Cashflows – Application of Available Revenue Receipts Prior to the Service of an Enforcement Notice on the Issuer*", "*Cashflows – Application of Available Redemption Receipts Prior to the service of an Enforcement Notice on the Issuer*" and "*Cashflows – Distributions Following the Service of an Enforcement Notice on the Issuer*" below.

In addition, the Seller may offer, on any Business Day from but excluding the Closing Date to and including the first Interest Payment Date, to sell the Further Portfolio to the Issuer on the Further Portfolio Sale Date. The Issuer will pay the Initial Consideration for the Further Portfolio (as described below) using amounts standing to the credit of the Prefunding Reserve Ledger. The Issuer will not be entitled to use any other funds available to it to purchase the Further Portfolio from the Seller. The consideration due to the Seller in respect of the sale of the Further Portfolio is the aggregate of:

(a) the Initial Consideration in an amount equal to the Current Balance of the Loans in the Further Portfolio on the first day of the calendar month in which the Further Portfolio Sale Date occurs, such Initial Consideration being due and payable on the Further Portfolio Sale Date; and

(b) the deferred consideration consisting of Residual Payments in respect of the Further Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates issued by the Issuer to the Seller on the Closing Date.

The Seller shall transfer to the Issuer within 2 Business Days of the Closing Date an amount equal to all Collections received on the Loans comprised in the Initial Portfolio from (and including) 1 July 2014 to (but excluding) the Closing Date and within 2 Business Days of the Further Portfolio Sale Date (if any), all Collections received on the Loans comprised in the Further Portfolio from (and including) the Monthly Cut-Off Date immediately preceding the Further Portfolio Sale Date to (but excluding) the Further Portfolio Sale Date.

Title to the Mortgages, Registration and Notifications

The completion of the transfer, or, in the case of Scottish Loans and their Related Security, assignation, of the Loans and their Related Security (and, where appropriate, their registration or recording) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and their Related Security therefore remains with the Originator until the occurrence of a Perfection Event. 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 by or on behalf of the Originator on or before the 20th Business Day after any of the following Perfection Events occurs:

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

(b) it becoming necessary by law to do any or all of the acts referred to in paragraph (a) above; or

(c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy; or

(d) the Originator calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or

(e) an Insolvency Event occurring in relation to the Originator; or

(f) it becoming unlawful in any applicable jurisdiction for the Originator to hold legal title in respect of any Loan or its Related Security in the Portfolio,

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

An **Insolvency Event** will occur in respect of an entity in the following circumstances:

(a) an order is made or an effective resolution passed for the winding-up of the relevant entity (or it proposes or makes any composition or arrangement with its creditors); or

(b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(c) an encumbrancer takes possession or a Receiver is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or

(d) the relevant entity is unable to pay its debts as they fall due or it is deemed under section 123 of the Insolvency Act 1986 to be unable to pay its debts or announces an intention to suspend making payments with respect to any class of undisputed debts; or

(e) if proceedings are initiated against the relevant entity under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant entity or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of relevant entity, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order), unless initiated by the relevant entity, is not discharged within 30 days.

Following a Perfection Event, notice of the legal assignments and assignations will be given to the Borrowers and the Issuer will take steps to register and record such legal assignments and assignations at the Land Registry and Registers of Scotland (as applicable).

Save for Title Deeds held at the Land Registry or the Registers of Scotland (as the case may be), all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by the Originator or the Servicer (on behalf of the Originator) or its solicitors or agents and the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors, and in relation to the Title Deeds held at the Registers of Scotland in respect of Properties title to which is recorded in the General Register of Sasines, such Title Deeds are held on the basis that they (other than the dematerialised copies of the Title Deeds) shall be returned to the Originator or the Servicer or its solicitors or agents.

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.

Title Deeds means, in relation to each Loan, and its Related Security and the Property relating thereto, all conveyancing deeds, certificates and all other 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 relevant Borrower of the related Mortgage.

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 Originator and including mortgage documentation applicable to each Loan, each letter of offer for that Loan, the Valuation Report (if applicable), any MHA/CP Documentation and, to the extent available, the solicitor's or licensed conveyancer's certificate of title.

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 Originator 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 Residential Mortgage Lender and which has been approved by the relevant officers of the Originator.

Conditions to Sale

The sale of Loans and their Related Security to the Issuer will be subject to various conditions being satisfied on (in the case of the sale of the Initial Portfolio) the Closing Date or (in the case of the sale of the Further Portfolio) on the Further Portfolio Sale Date.

In addition, the sale of the Further Portfolio will be subject to certain additional conditions (as described below in "*Further Purchase Conditions*").

Representations and Warranties

On the Closing Date or on the Further Portfolio Sale Date (as applicable), the Loan Warranties (described below in "*Representations and Warranties*") will be given by the Seller and the Originator in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.

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

(a) each Loan was acquired by the Seller from the Originator and was originated by the Originator and was at the time of origination, and continues to be, denominated in Sterling;

(b) the particulars of the Loans (in the case of the Initial Portfolio) set out in the Mortgage Sale Agreement and (in the case of the Further Portfolio) set out in the Further Portfolio Notice were complete, true and accurate in respect of the data fields described in the Mortgage Sale Agreement or the notice given by the Seller to the Issuer under which the Seller offers to sell to the Issuer the Further Portfolio on the Further Portfolio Sale Date (the **Further Portfolio Notice**) (as applicable);

(c) each Loan and its Related Security was made 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 (other than in cases where the Originator's prior consent was obtained);

(d) all of the Borrowers are individuals and were aged 18 years or older as at the date of execution of the Loan;

(e) the rate of interest under each Loan is charged monthly in accordance with the Standard Documentation, including any offer letter and the terms thereof;

(f) all fees are either charged to the relevant Borrower in accordance with the Standard Documentation or waived in accordance with the practice of a Reasonable, Prudent Residential Mortgage Servicer;

(g) at least one Monthly Instalment due in respect of each Loan has been paid by the relevant Borrower;

(h) no Borrower is an employee or director of the Seller or the Originator;

(i) each Loan is either a Fixed Rate Loan or a Floating Rate Loan;

(j) each Loan has a term ending no later than 31 August 2044;

(k) no Loan is a Flexible Loan;

(l) the Mortgage Conditions for each Loan do not require the Originator to agree to any Further Advances;

(m) the Mortgage Conditions for each Loan do not permit Payment Holidays;

(n) as at (in respect of the Initial Portfolio) 1 July 2014 and (in respect of any Further Portfolio) the Monthly Cut-Off Date immediately preceding the Further Portfolio Sale Date, the total amount of interest or principal in arrears, together with any fees, commissions and premiums payable at the same time as that interest payment or principal repayment, on any Loan did not exceed more than the amount of the Monthly Instalment then due;

(o) to the extent legally assignable, the benefit of all valuation reports and certificates of title which were provided to the Originator not more than two years prior to the date of the Mortgage Sale Agreement can be validly assigned to the Issuer without obtaining the consent of the relevant valuer, solicitor, licensed conveyancer or (in Scotland) qualified conveyancer;

(p) the amount outstanding under each Loan is a valid debt to the Originator (as holder of the legal title to the Loan) from the Borrower arising from advances of money to the Borrower and, except for any Loan and its Related Security which is not binding by virtue of UTCCR, the terms of each Loan and its Related Security constitute valid, binding and legally enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) the warranty only applies in relation to interest and principal payable by the Borrower;

(q) subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry or (as applicable) the Registers of Scotland, the whole of the Current Balance on each Loan and all future interest, fees, costs and expenses payable under or in respect of such Loan is 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 (in Scotland) a first ranking standard security;

(r) no Loan is wholly or partly regulated by the CCA or treated as such, or, to the extent that it is so regulated or partly regulated or treated as such, the Seller and the Originator have complied with all of the legal requirements of, and procedures set out in, the CCA and all secondary legislation made pursuant thereto;

(s) no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of sections 140A to 140D of the CCA;

(t) in relation to any leasehold Property, in any case where the Originator has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, the Originator has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Residential Mortgage Lender to protect its security and the Loan;

(u) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was £25,000 or more but less than £1,050,000 as at the relevant date of origination;

(v) not more than six months prior to the grant of each Loan, the Originator received a valuation report from a valuer on the relevant property (or such other form of report concerning the valuation of the relevant property as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender;

(w) prior to the taking of each Mortgage (other than a remortgage), the Originator: (i) instructed the Originator's solicitor, licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant property and to undertake such other searches, investigations, enquiries and other actions on behalf of the Originator as are set out in the instructions which the Originator issued to the relevant solicitor, licensed conveyancer or qualified conveyancer as are set out in: (A) the CML's Lenders' Handbook for England and Wales in relation to English Loans; or (B) the CML's Lenders' Handbook for Scotland in relation to Scottish Loans, (or such comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations made on a case by case basis as would have been acceptable to a Reasonable, Prudent Residential Mortgage Lender at the relevant time; and (ii) received a certificate of title from the solicitor, licensed conveyancer or (in Scotland) qualified conveyancer referred to in sub-paragraph (i) relating to such property, the contents of which were such as would have been acceptable to a Reasonable, Prudent Residential Mortgage Lender at that time;

(x) to the best of the Originator's and the Seller's knowledge and belief, no Property has been let or sub-let otherwise than by way of: (i) an assured shorthold tenancy which meets the requirements of Section 19A or Section 20 of the Housing Act 1988; or (ii) an assured tenancy; or (iii) a short assured tenancy which meets the requirements of section 32 of the Housing (Scotland) Act 1988;

(y) all of the Properties are residential properties located in England, Wales or Scotland;

(z) in relation to each Mortgage other than a Scottish Mortgage, 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) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold 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;

(aa) in relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free from any encumbrance (save for the Scottish Mortgage and any subsequent ranking standard security) which would materially adversely affect such title and, without limiting the foregoing, in the case of a long leasehold Property:

(i) any requisite consent of the landlord to, or notice to the landlord of, the creation of the Related Security has been obtained or given; and

(ii) the terms of the lease would, at the time of origination, have been acceptable to a Reasonable, Prudent Residential Mortgage Lender;

(bb) the Originator has instructed its solicitors to take all steps necessary to perfect the Originator's title to each Mortgage with all due diligence and there are no caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;

(cc) the Originator has not waived any of its rights under or in relation to a Loan or its Related Security which would materially reduce the value of the Loan;

(dd) the terms of the loan agreement or Related Security relating to each Loan are not "unfair terms" within the meaning of the UTCCR but this warranty shall only be construed as to apply in respect of principal and interest due or charged on the Loan and not in respect of any Early Repayment Charges;

(ee) so far as the Originator or the Seller is aware, in relation to each Mortgage every person who, at the date upon which the relevant Loan was made, had attained the age of 18 and who had been notified to the Originator as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a deed of consent so as to ensure that the relevant Property is not subject to any right of occupancy and, in relation to each Scottish Mortgage, all necessary MHA/CP Documentation has been obtained so as to ensure that the relevant Property and relevant Scottish Mortgage is not subject to any right of occupancy;

(ff) the Mortgage Conditions for each Loan require the Property over which the Loan is secured to be insured to an amount not less than the full reinstatement cost as determined by the relevant valuer or automated valuation model (as applicable);

(gg) save for Title Deeds held at the Land Registry or the Registers of Scotland (as the case may be), all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by the Originator or the Servicer (on behalf of the Originator) or its solicitors or agents and the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors, and in relation to the Title Deeds held at the Registers of Scotland in respect of Properties title to which is recorded in the General Register of Sasines, such Title Deeds are held on the basis that they (other than the dematerialised copies of the Title Deeds) shall be returned to the Originator or the Servicer or its solicitors or agents;

(hh) the Originator has legal title to, and the Seller has good and marketable equitable or, in the case of the Scottish Loans, beneficial title to, and immediately prior to the sale of such Loan, is the absolute unencumbered beneficial owner of, each Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption and subject to registration or recording at the Land Registry or the Registers of Scotland (as the case may be) of the Originator as proprietor or heritable creditor of the relevant Mortgage;

(ii) neither the Seller nor the Originator has received written notice or is aware of any litigation or claim which may have a material adverse effect on the Originator or the Seller's title to any Loan or Related Security;

(jj) each of the Seller and the Originator has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;

(kk) the Seller and the Originator have at all relevant times held, and continue to hold a registration under the Data Protection Act 1998 or equivalent;

(ll) the Originator has at all relevant times held, and continues to hold, the necessary interim permissions on the FCA's interim permission consumer credit register to carry on relevant consumer credit activities in England, Wales and Scotland required under the FSMA;

(mm) all formal approvals, consents and other steps necessary to permit a legal and equitable or beneficial transfer of the Loans and their Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken;

(nn) the Originator or the Servicer has, since the Seller acquired the Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Related Security and all such accounts, books and records are in the possession of the Originator or the Servicer;

(oo) the Originator has at all relevant times held, and continues to hold, authorisation and appropriate permissions from the FCA for conducting all regulated activities specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) carried on by it in respect of each Loan;

(pp) the Originator has complied with all applicable material requirements of law or of any person who has regulatory authority which has the force of law in respect of the Loan and its Related Security, in particular the provisions of MCOB as amended from time to time;

(qq) so far as the Seller and the Originator are aware, neither they nor any of their agents have received written notice of any litigation, claim, dispute or complaint (in each case, subsisting, threatened or pending) in respect of any Borrower, Loan or Related Security which (if adversely determined) would have a material adverse effect on amounts recoverable in relation to the Loans;

(rr) the Servicer has created and maintained all records in respect of the Mortgages in accordance with the requirements of the FCA and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;

(ss) no Loan or Related Security is cancellable under the Financial Services (Distance Marketing) Regulations (2004) (as amended) or under any other applicable law;

(tt) prior to the granting of each Loan, the Lending Criteria and all other conditions precedent to making the Loan were satisfied in all material respects, subject to such exceptions as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender;

(uu) the brochures, application forms, offers, offer conditions and marketing material distributed by the Originator to the Borrower when offering a Loan to a Borrower: (i) do not conflict in any material respect with the terms applicable to the relevant Loan and its Related Security at the time that the Loan was entered into; and (ii) do not conflict with and would not prohibit or otherwise limit the terms of the Transaction Documents or the matters contemplated thereby, including: (A) the assignment or assignation of the Loans and their Related Security to the Issuer; and (B) the administration of the Loans and their Related Security by the Servicer or by a successor servicer following the occurrence of a Servicer Termination Event;

(vv) no Loan is guaranteed by a third party save where the guarantee constitutes a legal, valid and binding obligation of the guarantor, enforceable in accordance with the relevant loan agreement;

(ww) other than with respect to Monthly Instalments (subject to warranty (n) and to the qualification set out in warranty (x)), no Borrower is or has, since the date of the execution of the relevant Loan, been in material breach of any obligation owed with respect to the relevant Loan or its Related Security; and no steps have been taken by the Originator or the Seller to enforce any Related Security, provided that a Borrower will not be deemed to be in material breach of the relevant Loan as a result of a failure to obtain buildings insurance where such failure in relation to a Loan is covered under the Block Insurance Policies;

(xx) in relation to the sale of the Further Portfolio only, the Further Purchase Conditions have been met on the Further Portfolio Sale Date;

(yy) no act or circumstance has occurred which will adversely affect the Properties in Possession Cover or entitle the insurers to refuse payment or reduce the amount payable;

(zz) no Loan or its Related Security is subject to any right of rescission, set-off, lien, counterclaim or defence;

(aaa) no Loan is a Significant Deposit Loan; and

(bbb) none of the Loans or the Related Security consist of or include any "stock" or "marketable securities" within the meaning of section 125 of the Finance Act 2003, "chargeable securities" (for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (for the purposes of section 48 of the Finance Act 2003).

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

The Seller or the Originator may repurchase the Portfolio (a) on any Business Day falling in an Optional Repurchase Period or (b) if the aggregate Current Balance of the Loans (excluding any Enforced Loans) is equal to or less than 10% of the Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date

On any Business Day falling (a) in an Optional Repurchase Period or (b) on and from any Cut-Off Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date but on or before the Calculation Date after such Cut-Off Date, the Seller or the Originator may offer to purchase, and the Issuer may, in its absolute discretion, accept such offer to purchase all (but not some) of the Portfolio at its Optional Repurchase Price.

The Issuer shall transfer to the Seller or the Originator (as applicable) as soon as reasonably practicable all amounts received on the Loans and their Related Security received by the Issuer from (and including) the Monthly Cut-Off Date immediately preceding the Optional Repurchase Date to (but excluding) the Optional Repurchase Date (such amounts being **Optional Repurchase Collections**).

Optional Repurchase Price means, in respect of the repurchase by the Seller or the Originator of the Portfolio in full pursuant to the Mortgage Sale Agreement, an amount equal to the greater of:

(a) the aggregate Current Balance of the Loans (excluding any Enforced Loans) comprising the Portfolio determined as at the immediately preceding Monthly Cut-Off Date; and

(b) without double-counting, the greater of (i) zero and (ii) the amount required by the Issuer to pay in full all amounts payable under items (a) to (q) (inclusive) of the Pre-Enforcement Revenue Priority of Payments and items (a) to (i) (inclusive) of the Pre-Enforcement Redemption Priority of Payments, in each case on the immediately following Interest Payment Date, less any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer,

in each case, plus the Issuer's costs and expenses associated with transferring its interests in any Loan and its Related Security to the Originator or the Seller (if any).

Repurchase by the Seller and the Originator

The Seller and the Originator will agree to be jointly and severally liable for the repurchase of any Loan and its Related Security sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan and/or its Related Security proves to be materially untrue as at the Closing Date or the Further Portfolio Sale Date, as applicable, and that default has not been remedied in accordance with the Mortgage Sale Agreement. Any Loans and their Related Security will be required to be repurchased following receipt by the Seller and the Originator of a loan repurchase notice substantially in the form set out in and delivered in accordance with the Mortgage Sale Agreement (a **Loan Repurchase Notice**) requiring the Seller or the Originator to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement. The Seller and the Originator will additionally be required to repurchase any Loan where the Originator has elected to make a Further Advance, Product Switch or Port available to a Borrower or is bound to agree to a Port in accordance with the Mortgage Conditions, prior to such Further Advance, Product Switch or Port being made. The Seller and the Originator will also agree to be jointly and severally liable to repurchase any Loan which the Originator has determined on any Calculation Date to be a Significant Deposit Loan as at the immediately preceding Cut-Off Date. For these purposes, **Significant Deposit Loan** means a Loan where (i) the Originator holds the legal title, and (ii) the relevant Borrower has a deposit account with the Originator and the balance of such deposit account exceeds the maximum amount covered under the Financial Services Compensation Scheme.

Repurchase due to unfair terms for recovery of interest or breach of obligations by the Seller or the Originator

The Seller, the Originator and the Issuer will agree pursuant to the Mortgage Sale Agreement that if and to the extent that any determination shall be made by any court or other competent authority or any ombudsman or regulator that:

(a) any term which relates to the recovery of interest under the Standard Documentation applicable to a Loan and its Related Security is unfair; or

(b) there has been any material breach of or non-observance or non-compliance with any obligation, undertaking, covenant or condition on the part of the Seller or the Originator relating to the interest payable by or applicable to a Borrower under any Loan,

then, subject to the receipt by the Issuer and the Security Trustee of a certificate signed by the Servicer stating that such a determination has been made under paragraph (a) or (b) above (which the Security Trustee shall be entitled to accept as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Secured Creditors), the Issuer will serve upon the Seller and the Originator a Loan Repurchase Notice requiring the Seller or the Originator (with joint and several liability) to repurchase the relevant Loan and its Related Security and, following receipt of such Loan Repurchase Notice, the Seller or the Originator shall be required to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

Repurchase price

Other than in respect of a repurchase by the Seller or the Originator of the Portfolio to effect a redemption of the Notes on an Interest Payment Date on or following the Optional Redemption Date or on any Interest Payment Date on which the Current Balance of the Portfolio as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date, the consideration payable by the Seller or the Originator in respect of the repurchase of an affected Loan and its Related Security shall be equal to the Current Balance of such Loan (disregarding for the purposes of any such calculation, (a) any porting in relation to such Loan and (b) to the extent that the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Originator, the amount of any such reduction in the Current Balance) as at the relevant date of any such repurchase, plus the Issuer's costs and expenses (if any) associated with the transfer of such Loan and its Related Security to the Seller or the Originator (as the case may be).

Further Purchase Conditions

On any Business Day from but excluding the Closing Date to and including the first Interest Payment Date which the Seller notifies the Issuer to be the further portfolio sale date (the **Further Portfolio Sale Date**), the Seller may sell to the Issuer additional Loans (any portfolio of Loans sold on the Further Portfolio Sale

Date, the **Further Portfolio**). The Seller and the Originator will make the Loan Warranties in respect of the Further Portfolio on the Further Portfolio Sale Date. In addition, the Further Portfolio sold by the Seller to the Issuer must comply with the Further Purchase Conditions as at the Further Portfolio Sale Date. There is no obligation on the Seller to nominate a Further Portfolio Sale Date or to offer to sell Loans to the Issuer on any such Further Portfolio Sale Date.

The **Further Purchase Conditions** are:

(a) the Initial Consideration in respect of the Further Portfolio to be purchased on the Further Portfolio Sale Date does not exceed the amount standing to the credit of the Prefunding Reserve Ledger on the Further Portfolio Sale Date;

(b) the Issuer has received on, or prior to, the Further Portfolio Sale Date:

(i) confirmation from S&P that, at each rating level, the product of:

(A) the weighted average foreclosure frequency; and

(B) the weighted average loss severity,

(each as calculated by S&P, such calculation being the **S&P Calculation**) of the Portfolio together with the Unutilised Cash Balance (assuming, for the purposes of such S&P Calculation, that the weighted-average foreclosure frequency and the weighted-average loss severity of the Unutilised Cash Balance shall each be zero) immediately after the purchase by the Issuer of the Further Portfolio will not exceed the S&P Calculation on the Initial Portfolio as at the Closing Date by more than:

(1) in respect of the "AAA" rating scenario, 0.25 per cent.;

(2) in respect of the "AA" rating scenario, 0.22 per cent.;

(3) in respect of the "A" rating scenario, 0.13 per cent.;

(4) in respect of the "BBB" rating scenario, 0.10 per cent.; and

(5) in respect of the "BB" rating scenario, 0.07 per cent.;

(ii) confirmation from Fitch that, at each rating level, the product of:

(A) the weighted average foreclosure frequency; and

(B) 1 minus the weighted average recovery rate,

(each as calculated by Fitch, such calculation being the **Fitch Calculation**) of the Portfolio together with the Unutilised Cash Balance (assuming, for the purposes of such Fitch Calculation, that the weighted-average foreclosure frequency of the Unutilised Cash Balance shall be zero and the weighted-average recovery rate of the Unutilised Cash Balance shall be 100 per cent.) immediately after the purchase by the Issuer of the Further Portfolio will not exceed the Fitch Calculation on the Initial Portfolio as at the Closing Date by more than 0.175 per cent.;

(c) the Further Purchase Asset Conditions will be satisfied on the Further Portfolio Sale Date;

(d) the Issuer will be able to hedge its interest rate exposure in respect of the Fixed Rate Loans forming part of the Further Portfolio under the Swap Agreement or on substantially similar terms as the terms of the Swap Agreement;

(e) no Enforcement Notice has been delivered to the Issuer; and

(f) no Event of Default has occurred which has not been waived by the Security Trustee.

Unutilised Cash Balance means the amount by which the amount credited to the Prefunding Reserve Ledger on the Closing Date exceeds the Initial Consideration to be paid by the Issuer in consideration for its purchase of the Further Portfolio on the Further Portfolio Sale Date.

Further Purchase Asset Conditions will be satisfied in respect of the Further Portfolio if, on the Further Portfolio Sale Date:

(a) each Loan in the Further Portfolio is either:

(i) a Floating Rate Loan under the terms of which the interest rate payable is based on three month LIBOR, and shall revert to a Floating Mortgage Rate based on three month LIBOR on a date (the **Reversionary Date**) occurring on or prior to 31 August 2016; or

(ii) a Fixed Rate Loan which will revert to a Floating Mortgage Rate based on three month LIBOR and in respect of which the Reversionary Date occurs prior to 31 August 2017,

provided that at least 60 per cent. of Loans comprising the Further Portfolio revert to an interest rate of no less than 4.98% above three month LIBOR and that no Loan comprising part of the Further Portfolio reverts to an interest rate of less than 4.47% above three month LIBOR;

(b) the Weighted Average Post Swap Margin of the Further Portfolio as at the date of purchase of the Further Portfolio by the Issuer is not less than 3.70 per cent.;

(c) the minimum Post Swap Margin of any Loan comprising part of the Further Portfolio as at the date of purchase of the Further Portfolio by the Issuer is not less than 2.24 per cent.;

(d) the weighted average remaining term of the Loans in the Further Portfolio which revert to an interest rate of at least 4.98% above three month LIBOR is no less than the weighted average remaining term of the Loans in the Initial Portfolio; and

(e) the weighted average maturity date of the Loans in the Further Portfolio which revert to an interest rate of less than 4.98% above three month LIBOR is no less than 28 February 2035.

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

Calculation Date means, in relation to a Collection Period, the day falling six Business Days after the end of the relevant Collection Period.

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

Collection Period means the quarterly period commencing on (and including) a Cut-Off Date and ending on (but excluding) the immediately following Cut-Off Date, except that the first Collection Period will commence on (and include) 1 July 2014 and end on (and exclude) the Cut-Off Date falling in September 2014.

Cut-Off Date means the first calendar day of March, June, September and December except that the first Cut-Off Date will be 1 July 2014.

Enforced Loan means a Loan in respect of which the Related Security has been enforced and the related Property has been sold.

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

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 principal balance does not vary and is fixed for a certain period of time by the Originator.

Flexible Loan means a loan in respect of which the Borrower has exercisable redraw rights under the relevant loan.

Floating Rate Loan means a Loan where the applicable rate of interest is the Floating Mortgage Rate.

Further Advance means, in relation to a Loan, any advance of further money to the relevant Borrower following the making of the initial principal amount advanced by the Originator to the relevant Borrower under a Loan (**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.

Insurance Policies means with respect to the Mortgages, the Block Insurance Policies and any other insurance contracts in replacement, addition or substitution thereof from time to time which relate to the Loans.

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

Monthly Cut-Off Date means the first day of each calendar month.

Monthly Instalment 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.

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

Mortgage means:

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

(b) each Scottish Mortgage, in respect of any Scottish Loan,

which is, or is to be, sold, assigned or transferred by the Seller to the Issuer pursuant to:

(i) the Mortgage Sale Agreement, in respect of any English Loan; or

(ii) a Scottish Declaration of Trust, in respect of any Scottish Loan,

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

Mortgage Conditions means in respect of a Loan, all the terms and conditions applicable to such Loan, including those set out in Precise Mortgages General Mortgage Conditions March 2010 (England and Wales) (PMGMC 09102), the Precise Mortgages General Mortgage Conditions Scotland August 2011 and the

Originator's relevant general conditions, each as varied from time to time by the relevant loan agreement, the relevant Mortgage Deed and the Offer Conditions.

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

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

Payment Holidays means any payment holiday feature of a product where a borrower who is not in arrears can apply to defer one or more Monthly Instalments.

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

Post Swap Margin means, on any day:

(a) in respect of any Fixed Rate Loan, the following amount expressed as a percentage:

  (i) the fixed rate of interest payable by the relevant Borrower on that day on the Current Balance of such Loan; less

  (ii) the Fixed Rate (as defined in the Swap Agreement) which is used to calculate the amounts payable by the Issuer to the Swap Provider under the Swap Transaction;

(b) in respect of any Floating Rate Loan, the percentage margin above LIBOR of the applicable rate of interest on such Loan payable by the relevant Borrower to the Issuer.

Property means (in England and Wales) a freehold, leasehold or commonhold property or (in Scotland) a heritable property or property held under a long lease, which is, in each case, subject to a Mortgage.

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

Related Security means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all rights, remedies or benefits related thereto including:

(a) the benefit of all affidavits, consents, renunciations, guarantees, indemnities, waivers and postponements (including any deed of consent and MHA/CP Documentation) from occupiers and other persons having an interest in or rights in connection with the relevant Property;

(b) each right of action of the Originator against any person (including any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the Originator to make or offer to make all or part of the relevant Loan; and

(c) the benefit of (including the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies (taken out by or on behalf of the relevant Borrower) deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property and relevant Loan Files.

Scottish Mortgage means a first ranking standard security over a Property located in Scotland.

Standard Documentation means the standard documentation of the Originator, a list or CD of which is set out in or appended to Exhibit 1 to the Mortgage Sale Agreement, or any update or replacement therefor as permitted by the terms of the Mortgage Sale Agreement.

Weighted Average Post Swap Margin means, on any day, the following amount expressed as a percentage:

(a) the sum of the following amount in respect of each relevant Loan:

(i) the Post Swap Margin in respect of the relevant Loan; multiplied by

(ii) the Current Balance of the relevant Loan on that day,

divided by;

(b) the Current Balance of all relevant Loans on that day;

Governing Law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by English law (other than those terms of the Mortgage Sale Agreement specific to the law of Scotland relating to the Scottish Loans and their Related Security, which are governed by Scots law).

Servicing Agreement

Introduction

The Issuer, the Security Trustee, the Originator and the Servicer entered into, on or around the Closing Date, an agreement pursuant to which the Servicer agrees to service the Loans and their Related Security (the **Servicing Agreement**). The services to be provided by the Servicer are set out in the Servicing Agreement, and may include any services incidental thereto as may be agreed to in writing by the Issuer, the Originator, the Security Trustee and the Servicer (the **Services**).

On or about the Closing Date, the Servicer will be appointed by the Issuer and, as applicable, the Originator (including in its capacity as a trustee of the relevant trust declared and created by a Scottish Declaration of Trust (the **Scottish Trust**)) 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 the Security Trustee notifying the Servicer that an Enforcement Notice has been served, 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 the terms of the Servicing Agreement (including the procedures of the Servicer set out therein) are binding on the Issuer.

Powers

The Servicer has the power, among other things:

(a) to exercise the rights, powers and discretions of the Issuer and the Originator in relation to the Loans and their Related Security and to perform the obligations of the Issuer and the Originator in relation to the Loans and their Related Security; and

(b) to do or cause to be done any and all things which it reasonably considers necessary, 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, among other things, to:

(a) service the Loans and their Related Security sold by the Seller to the Issuer as if the same had not been sold to the Issuer (or, in respect of the Scottish Loans and their Related Security, held on trust under the Scottish Trust) but had remained with the Seller and/or the Originator in accordance with the Servicer's servicing, arrears and enforcement policies and procedures applicable to the Seller's loans from time to time as they apply to those Loans;

(b) give such time and attention and exercise such skill, care and diligence in the performance of the Services and any other obligation contained in the Servicing Agreement and will provide those Services and perform such other obligations to the same standard as a Reasonable, Prudent Residential Mortgage Servicer;

(c) comply with any proper 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, consents and licences 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, consents and licences required in connection with the performance of the Services under the Servicing Agreement and in particular any necessary notification under the Data Protection Act 1998, (if applicable) licence under the CCA and any authorisation and permissions under the FSMA;

(e) not knowingly fail to comply with any applicable legal and regulatory requirements in the performance of the Services;

(f) make all payments required to be made by it pursuant to the Servicing Agreement (as to which see further below) on the due date for payment in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without any set-off (including in respect of any fees owed to it) except any deductions required by law (or as expressly permitted under the Servicing Agreement);

(g) not without the prior written consent of the Security Trustee, amend or terminate any of the Transaction Documents save in accordance with their terms;

(h) deliver to the Issuer, the Security Trustee and (where the Servicer is not the Originator) the Originator 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; and

(i) make any determinations required to be made by the Issuer under the Swap Agreement (including the determination of the Fixed Notional Amount) and notify the Cash Manager and the Swap Provider upon making such determinations.

Setting of Interest Rates on the Loans

Subject to the terms of the Mortgage Sale Agreement, each of the Issuer and the Originator grants the Servicer full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions, to determine and set the Floating Mortgage Rates in relation to the Floating Rate Loans sold by the Seller to the Issuer which have not at the relevant date of determination been repurchased by the Seller or the Originator.

Operation of Collection Accounts

The Servicer will operate the Collection Accounts, opened in the name of the Originator with the Collection Account Bank. Revenue Receipts and Redemption Receipts arising in relation to the Loans will be paid directly into the relevant Collection Accounts. The Servicer will transfer all Collections received in the DD Collection Account arising in respect of Direct Debit payments from the Borrowers to the Deposit Account on or prior to the Business Day immediately following receipt of such amounts into the DD Collection Account. The Servicer shall transfer to the Deposit Account all Collections received into the Non-DD 2014-1 Collection Account and the Non-DD Collection Account arising in respect of non-Direct Debit payments received from Borrowers within five Business Days of the identification of such amounts received into the Non-DD 2014-1 Collection Account or the Non-DD Collection Account (as applicable).

Replacement of Collection Account Bank

The Servicer shall monitor the Collection Account Bank for any Insolvency Event and confirms that in the event of the occurrence of an Insolvency Event of the Collection Account Bank, the Servicer shall, as directed by the Issuer and as agreed in writing by the Originator, assist the Originator in opening one or more replacement Collection Accounts in the name of the Originator with a financial institution which: (i) has a rating of at least the Collection Account Bank Rating; (ii) is approved in writing by the Issuer and the Security Trustee; (iii) which is a bank as defined in Section 991 of the Income Tax Act 2007; and (iv) which is of a reputable standing, as soon as reasonably practicable and in any event within 30 calendar days.

If the rating of the Collection Account Bank falls below the Collection Account Bank Rating, the Servicer shall assist the Originator (or any other entity which may then hold legal title to the Loans) and the Issuer to, and provided that there exists a financial institution having a rating of at least the Collection Account Bank Rating and which is a bank a defined in Section 991 of the Income Tax Act 2007, the Issuer and the Originator (or any other entity which may then hold legal title to the Loans and their Related Security) shall, within 30 calendar days of such occurrence:

(a) open a replacement collection account in the name of the Originator with a financial institution (i) having a rating of at least the Collection Account Bank Rating, (ii) approved in writing by the Issuer and the Security Trustee and (iii) 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 (i) all Direct Debit mandates are transferred to such replacement collection account, (ii) all Monthly Instalments made by a Borrower under a payment arrangement other than the Direct Debiting Scheme are made to such replacement collection account from the date on which the replacement collection account is opened and (iii) all amounts standing to the credit of the Collection Accounts be transferred to the replacement collection account promptly after the replacement collection account is opened.

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

Compensation of the Servicer

The Servicer receives fees under the terms of the Servicing Agreement. In consideration for providing the debt collections services and other elements of the Services incidental thereto (the **Special Services**), the

Issuer shall pay to the Servicer a fee (inclusive of VAT, if any) of up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365-day year (or over a 366-day year in a leap year) by applying a rate of 0.03 per cent. per annum on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Cut-Off Date at the start of the immediately preceding Collection Period (the **Special Servicing Fee**).

In consideration for providing Services other than the Special Services, being the cash management and incidental administration element of the Services and carrying out the other duties and obligations on its part set out in the Servicing Agreement, the Issuer shall pay to the Servicer a fee (inclusive of VAT, if any) of up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365-day year (or over a 366-day year in a leap year) by applying a rate of 0.15 per cent. per annum on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Cut-Off Date at the start of the immediately preceding Collection Period (the **Mortgage Administration Fee**).

The Special Servicing Fee and the Mortgage Administration Fee are payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Enforcement Revenue Priority of Payments or, as the case may be, the Post-Enforcement Priority of Payments.

Removal or Resignation of the Servicer

Subject to the prior written consent of the Security Trustee, the Issuer may at once or at any time thereafter while such default continues, by notice in writing to the Servicer (with a copy to the Security Trustee), terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a **Servicer Termination Event**) occurs and is continuing:

(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 30 Business Days after: (i) where the failure to pay has arisen other than as a result of a Disruption Event, upon the earlier of the Servicer becoming aware of such default and the receipt by the Servicer of written notice from the Issuer or (after the delivery of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied; or (ii) where the failure to pay has arisen as a result of a Disruption Event, the cessation of the Disruption Event or, if earlier, 60 Business Days following the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or (after the delivery of an Enforcement Notice) the Security Trustee 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, which failure in the reasonable opinion of the Issuer (prior to the delivery of an Enforcement Notice) or the opinion of the Security Trustee (after the delivery of an Enforcement Notice) 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, or (after the delivery of an Enforcement Notice) the Security Trustee requiring the Servicer's non-compliance to be remedied;

(c) an Insolvency Event occurs in relation to the Servicer; or

(d) it becomes unlawful in any applicable jurisdiction for the Servicer to perform any of its obligations as contemplated by the Servicing Agreement, provided that this does not result or arise from compliance by the Servicer with any instruction from the Issuer or the Security Trustee.

Disruption Event means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for the payments to be made in connection with a Transaction Document (or otherwise in order for the transactions contemplated by the Transaction Documents to be carried out) which disruption is not caused by, and is beyond the control of, the relevant party seeking to rely on such disruption; or

(b) the occurrence of any other event which results in the disruption (of a technical or systems related nature) to the treasury or payments operations of the party seeking to rely on such disruption which prevents that party, or any other party to the Transaction Documents, from:

(i) performing its payment obligations under the Transaction Documents; or

(ii) communicating with any other party to a Transaction Document in accordance with the terms of the relevant Transaction Documents.

Voluntary Resignation

The Servicer may voluntarily resign by giving not less than three months' written notice to the Security Trustee and the Issuer (or such shorter time as may be agreed between the Servicer, the Issuer and the Security Trustee), provided that: (i) a substitute servicer shall be appointed, such appointment to be effective not later than the date of such termination; (ii) such substitute servicer is qualified to act as such under the FSMA and (if relevant) the CCA and has the requisite experience of servicing residential mortgages in the United Kingdom and is approved by the Issuer and the Security Trustee; (iii) such substitute servicer enters into a servicing agreement with the Issuer on terms commercially acceptable in the market, pursuant to which the substitute servicer agrees to assume and perform all the material duties and obligations of the Servicer under the Servicing Agreement; and (iv) (if Rated Notes remain outstanding) the then current ratings of the Rated Notes are not adversely affected as a result thereof, unless the Security Trustee or the Rated Noteholders (the Rated Noteholders acting by way of an Extraordinary Resolution) otherwise agree.

Delivery of documents and records

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver to the Issuer or the Security Trustee (or as the Issuer or the Security Trustee shall direct in writing and, in the event of a conflict between directions from the Issuer and directions from the Security Trustee, the directions from the Security Trustee shall prevail), *inter alia*, the Title Deeds and Loan Files relating to the Loans and their Related Security in its possession.

The Servicing Agreement will terminate at such time as the Issuer has no further interest in any Loans or their Related Security serviced under the Servicing Agreement.

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

Enforcement Procedures

To the extent that any amount cannot be collected from any Borrower and the Servicer is unable to undertake its primary obligation to collect such amounts, the Loan will be passed to the special servicing team of the Servicer who will undertake debt collections activities in addition to the cash management activities outlined above. The Servicer will, in relation to any default by a Borrower under or in connection with a Loan, comply with the enforcement procedures or, to the extent that the enforcement procedures are not applicable having regard to the nature of the default in question, take such action as complies with the standard of a Reasonable, Prudent Residential Mortgage Servicer providing administration services in respect of such default, provided that:

(a) the Servicer shall only become obliged to comply with the enforcement procedures (to the extent applicable) or to take action as aforesaid after it has become aware of the default; and

(b) it is acknowledged by the Issuer that mortgage lenders generally exercise discretion in pursuing their respective enforcement procedures and that the Servicer may exercise such discretion as would be exercised by a Reasonable, Prudent Residential Mortgage Servicer in applying the enforcement procedures to any particular defaulting Borrower or taking action as referred to above or in enforcing any relevant guarantee but without prejudice to the other provisions of the Servicing Agreement in connection with the payment of money into the relevant Collection Account; and

(c) the Servicer may exercise forbearance or take such other action in accordance with the practice of a Reasonable, Prudent Residential Mortgage Servicer in relation to the recovery of amounts from Borrower(s) and/or the relevant Property.

Issuer's Liability

The Issuer shall fully and continually indemnify the Servicer against any and all proceedings, costs, liabilities, damages, claims, fines and expenses which the Servicer sustains or incurs in connection with the performance of the Services under the Servicing Agreement other than any proceedings, costs, liabilities, damages, claims, fines and expenses incurred or sustained by the Servicer as a result of its fraud, wilful default or Gross Negligence.

Limit to Servicer's Liability

The Servicer's liability in contract, tort (including negligence or breach of statutory or regulatory duty) or otherwise in respect of the Servicing Agreement shall: (a) be limited to £1,500,000 (one million five hundred thousand Pounds) in aggregate for so long as the Servicer is appointed under the Servicing Agreement; and (b) not include any claim for any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings or for any special indirect or consequential damage of any nature whatsoever.

However, the Servicer's limitation of liability pursuant to the Servicing Agreement shall not apply in respect of any liability arising as a result of the fraud, wilful default or Gross Negligence of the Servicer. In the Servicing Agreement, **Gross Negligence** means any act or omission of the Servicer which falls below the level of care and skill that could reasonably be expected of a prudent party, in circumstances where that act, conduct or omission (as applicable) also shows a deliberate and/or manifestly careless or reckless disregard of potential consequences of such act or omission on the interests of another party and could reasonably be expected to cause significant prejudice to the interests of that other party.

Governing Law

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

Deed of Charge

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

Security

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

(a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under the Transaction Documents (other than the Trust Deed, the Deed of Charge, each Scottish Supplemental Charge and each Scottish Declaration of Trust) and any sums derived therefrom (provided that the assignment by way of security of the Issuer's rights under the Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder);

(b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's interest in the English Loans and their Related Security and other related rights comprised in the Portfolio (other than in respect of Scottish Loans) and any sums derived therefrom;

(c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under Insurance Policies assigned to the Issuer pursuant to the Mortgage Sale Agreement;

(d) an assignation in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Originator over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to each Scottish Declaration of Trust) (each, a **Scottish Supplemental Charge**);

(e) a charge by way of first fixed charge over the Issuer's interest in its bank and/or securities accounts (including the Deposit Account and the Swap Collateral Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;

(f) a charge by way of first fixed charge over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf;

(g) an assignment by way of first fixed security (and, to the extent not assigned, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit under the Non-DD Collection Account Trust (created pursuant to the Non-DD Collection Account Declaration of Trust together with the Non-DD Collection Account Accession Undertaking) the Non-DD 2014-1 Collection Account Trust (created pursuant to the Non-DD 2014-1 Collection Account Declaration of Trust) and the DD Collection Account Trust (created pursuant to the DD Collection Account Declaration of Trust and Account Bank Deed); and

(h) a floating charge over all assets of the Issuer not otherwise subject to the charges referred to above or otherwise effectively assigned by way of security (other than item (d) above), including over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not such assets are the subject of the charges referred to above).

Authorised Investments means:

(a) Sterling gilt-edged securities;

(b) Sterling demand or time deposits and certificates of deposit; and

(c) short-term debt obligations (including commercial paper),

provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and such investments: (i) mature on or before the next Interest Payment Date; (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date so that, in each case, such funds will be available for withdrawal on such date; and (iii) have a maturity date falling within 60 days or less of their date of issue and are rated (or, in the case of (a) and (b) above only, the short term and long term debt of the issuer (as applicable) of such investments is rated) at least F1+ or AA- by Fitch and A-1 by S&P or have a maturity date falling within 365 days or less of their date of issue and are rated (or, in the case of (a) and (b) above only, the short term and long term debt of the issuer (as applicable) of such investments is rated) at least F1+ or AA- by Fitch and AA- or A-1+ by S&P.

Secured Creditors means the Security Trustee, any Receiver appointed by the Security Trustee pursuant to the Deed of Charge, the Note Trustee, the Noteholders, the Certificateholders, the Seller, the Originator, the Servicer, the Cash Manager, the Swap Provider, the Issuer Account Bank, the Corporate Services Provider, the Paying Agents, the Registrar, the Agent Bank, the Collection Account Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

Transaction Documents means the Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Non-DD Collection Account Declaration of Trust, the Non-DD Collection Account Accession Undertaking, the Non-DD 2014-1 Collection Account Declaration of Trust, the DD Collection Account Declaration of Trust and Account Bank Deed, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, each Scottish Supplemental Charge, the Swap Agreement, a share trust deed dated 15 May 2014 (the **Share Trust Deed**), the power of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge (the **Issuer Power of Attorney**, a master definitions and construction schedule made between, among others, the Issuer, the Seller and the Security Trustee (the **Master Definitions and Construction Schedule**), the Mortgage Sale Agreement, each Scottish Declaration of Trust, the power of attorney granted by the Originator in favour of the Issuer and the Security Trustee on the Closing Date (the **Originator Power of Attorney**, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes and/or the Residual Certificates.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically (subject to applicable law) following the occurrence of specific events set out in the Deed of Charge, including, among other events, service of an Enforcement Notice, except in relation to the Issuer's Scottish assets, where crystallisation will occur on the appointment of an administrative receiver or receiver or upon commencement of the winding-up of the Issuer. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Redemption Priority of Payments

Prior to the Note Trustee serving an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes, 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 Deposit Account as described in "*Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer*", "*Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer*" below and "*Application of Monies released from the Rated Note Reserve Fund*" and apply monies standing to the credit of the Swap Collateral Account as described in "*Cashflows – Swap Collateral*".

Post-Enforcement Priority of Payments

After the Note Trustee has served an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by it shall apply the monies standing to the credit of the Deposit Account in accordance with the Post-Enforcement Priority of Payments defined in "*Cashflows – Distributions following the service of an Enforcement Notice on the Issuer*" below and apply the monies standing to the credit of the Swap Collateral Account in accordance with the Swap Collateral Account Priority of Payments defined in "*Cashflows – Swap Collateral*" below.

The Security will become enforceable after an Enforcement Notice has been served on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes 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 sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the Post-Enforcement Priority of Payments) or the Security Trustee is of the opinion that the cash flow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing: (i) to the Noteholders (and all persons ranking in priority to the Noteholders in the order of priority set out in the Post-Enforcement Priority of Payments); and (ii) once all the Noteholders (and all such prior ranking persons) have been repaid, to the remaining Secured Creditors (other than the Certificateholders) in the order of priority set out in the Post-Enforcement Priority of Payments; and (iii) once all the Noteholders and the Secured Creditors (other than the Certificateholders) have been repaid, to the Certificateholders, which opinion shall be binding on the Secured Creditors and reached after considering at any time and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer in accordance with the applicable Priority of Payments. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to above without further enquiry and shall incur no liability to any person for so doing.

Governing Law

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law and aspects relating to Scottish Loans and their Related Security (including each Scottish Supplemental Charge entered into pursuant thereto) will be governed by Scots law.

Trust Deed

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

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

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

Retirement of Note Trustee

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without giving any reason therefor and without being responsible for any liabilities occasioned by such retirement. The holders of the Most Senior Class of Notes (or, if no Notes remain outstanding, the Certificateholders) may, by Extraordinary Resolution, remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement of the Note Trustee shall not become effective unless there remains a trust corporation entitled by rules made under the Public Trustee Act 1906 to carry out the functions of a custodian trustee (a **Trust Corporation**) in office after such retirement or removal by Extraordinary Resolution. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement or the applicable Extraordinary Resolution of the holders of the Most Senior Class of Notes, the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed but no such appointment shall take effect unless previously approved by Extraordinary Resolution of the holders of the Most Senior Class of Notes.

Governing Law

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

Agency Agreement

Pursuant to an agency agreement (the **Agency Agreement**) dated on or prior to the Closing Date and made between the Issuer, the Note Trustee and the Security Trustee, the Principal Paying Agent, the Registrar and the Agent Bank, provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

Governing Law

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

Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer, the Originator, the Servicer, the Swap Provider and the Security Trustee will enter into a cash management agreement (the **Cash Management Agreement**).

Cash Management Services to be provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer or, upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer, the Security Trustee. The Cash Manager's principal function will be effecting payments to and from the Deposit Account. In addition, the Cash Manager will, among other things:

(a) on each Interest Payment Date prior to the delivery of an Enforcement Notice, apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments and any Rated Note Reserve Fund Liquidity Release Amount to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments;

(b) on each Calculation Date determine if there would be a Revenue Deficit following the application of Available Revenue Receipts (disregarding for such purposes any Principal Addition Amounts) on the immediately following Interest Payment Date;

(c) on each Calculation Date, determine whether the immediately following Interest Payment Date is the Final Redemption Date;

(d) record credits to, and debits from, the Ledgers, as and when required; and

(e) if required (i) during the Determination Period, calculate the Interest Determination Ratio, the Calculated Revenue Receipts and the Calculated Redemption Receipts; and (ii) following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, reconcile the calculations to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amounts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*), Residual Certificates Condition 6.7 (*Termination of Payments*) and the Cash Management Agreement.

In addition, the Cash Manager will also:

(a) maintain the following ledgers (the **Ledgers**) on behalf of the Issuer:

(i) the **Redemption Ledger**, which will record all Redemption Receipts received by the Issuer and the distribution of the Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);

(ii) the **Revenue Ledger**, which will record all Revenue Receipts, any Swap Collateral Account Surplus, amounts credited to the Deposit Account in accordance with item (u) of the Pre-Enforcement Revenue Priority of Payments and amounts credited to the Deposit Account on the Closing Date from part of the proceeds of the Subordinated Noteholders' subscription of the Subordinated Notes in an amount equal to the Prefunding Yield Maintenance Required Amount received by the Issuer and the distribution of the Revenue Receipts and the distribution of any other relevant amounts recorded on the Revenue Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) or by way of Third Party Amounts;

(iii) the **Rated Note Reserve Fund Ledger**, which will record amounts credited to, and debited from, the rated note reserve fund (the **Rated Note Reserve Fund**). The Rated Note Reserve Fund will be funded from part of the proceeds of the Subordinated Notes in an amount equal to the Rated Note Reserve Fund Required Amount on the Closing Date and on each Interest Payment Date up to and including the Final Redemption Date from amounts to be applied to the Rated Note Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments. The Cash Manager will maintain two sub-ledgers on the Rated Note Reserve Fund Ledger: the **Rated Note Reserve Fund Liquidity Sub-Ledger** and the **Rated Note Reserve Fund Available Amounts Sub-Ledger**. Following the determination by the Cash Manager on each Calculation Date of the Rated Note Reserve Fund Required Liquidity Amount in respect of the immediately following Interest Payment Date, the Cash Manager shall record all amounts standing to the credit of the Rated Note Reserve Fund up to (and including) such Rated Note Reserve Fund Required Liquidity Amount to the Rated Note Reserve Fund Liquidity Sub-Ledger and any amounts standing to the credit of the Rated Note Reserve Fund in excess of such Rated Note Reserve Fund Required Liquidity Amount to the Rated Note Reserve Fund Available Amounts Sub-Ledger. On each Interest Payment Date (prior to service of an Enforcement Notice), the Cash Manager will, *first*, debit (i) an amount equal to the Rated Note Reserve Fund Available Amount from the Rated Note Reserve Fund Available Amounts Sub-Ledger to be applied as Available Revenue Receipts; and (ii) an amount equal to the Rated Note Reserve Fund Liquidity Release Amount (if any) from the Rated Note Reserve Fund Liquidity Sub-Ledger to be applied in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order in which they appear in the Pre-Enforcement Revenue Priority of Payments and, *second*, following any such adjustments to the Rated Note Reserve Fund sub-ledgers, apply (on behalf of the Issuer) the Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments and credit to the Rated Note Reserve Fund Ledger the amount of Available Revenue Receipts applied on such Interest Payment Date to replenish the Rated Note Reserve Fund up to the Rated Note Reserve Fund Required Amount pursuant to item (o) of the Pre-Enforcement Revenue Priority of Payments. On the Final Redemption Date, all amounts standing to the credit of the Rated Note Reserve Fund Ledger (after first having applied the Rated Note Reserve Fund Available Amount as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and any Rated Note Reserve Fund Liquidity Release Amount in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, and after amounts have been credited to the Rated Note Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments, in each case on such Final Redemption Date) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (see "*Credit Structure – Rated Note Reserve Fund and Rated Note Reserve Fund Ledger*" below).

(iv) the **Principal Deficiency Ledger**, which will record on the appropriate sub-ledger as a debit deficiencies arising from Losses on the Portfolio (on the date the Cash Manager is informed of such Losses by the Servicer) and Principal Addition Amounts (on the Calculation Date on which such Principal Addition Amounts are determined by the Cash Manager) and record as a credit Available Revenue Receipts applied as Available Redemption Receipts (including any amounts in respect of Enhanced Amortisation Amounts) pursuant to the Pre-Enforcement Revenue Priority of Payments (if any) on each Interest Payment Date (see "*Credit Structure – Principal Deficiency Ledger*" below);

(v) the **Class A Liquidity Reserve Fund Ledger**, which will record amounts credited to the Class A Liquidity Reserve Fund from part of the proceeds of the Subordinated Notes in an amount equal to the Class A Liquidity Reserve Fund Required Amount on the Closing Date and, on each Interest Payment Date, amounts credited to the Class A Liquidity Reserve Fund from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, and amounts debited from the Class A Liquidity Reserve Fund and applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments (see "*Credit Structure – Class A Liquidity Reserve Fund and Class A Liquidity Reserve Fund Ledger*" below);

(vi) the **Issuer Profit Ledger**, which shall record as a credit any amounts retained by the Issuer as profit in accordance with the Pre-Enforcement Revenue Priority of Payments and as a debit any amount used to discharge any tax liability of the Issuer;

(vii) the **Prefunding Reserve Ledger**, which shall record amounts credited to the Deposit Account on the Closing Date from part of the proceeds of the Notes (other than the Subordinated Notes) in an amount equal to the difference between the Principal Amount Outstanding of the Notes (other than Subordinated Notes on the Closing Date) and amounts paid by the Issuer in respect of the Initial Consideration for the Initial Portfolio on the Closing Date and debited from the Deposit Account on the Further Portfolio Sale Date to fund the Issuer's acquisition of the Further Portfolio (if any) from the Seller, with the remainder to be applied on the first Interest Payment Date as Available Redemption Receipts. After the first Interest Payment Date, the Cash Manager will close the Prefunding Reserve Ledger; and

(viii) the **Swap Collateral Ledger,** which shall record as a credit (A) any Swap Collateral received from the Swap Provider, (B) any Replacement Swap Premium received by the Issuer from a replacement swap provider, (C) any termination payment received by the Issuer from an outgoing Swap Provider, and (D) Swap Tax Credits. Amounts and securities standing to the credit of each Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) and recorded on the Swap Collateral Ledger will be applied by the Cash Manager in accordance with the Swap Collateral Account Priority of Payments;

(b) calculate on each Calculation Date (prior to service of an Enforcement Notice) the amount of Available Revenue Receipts (including any Principal Addition Amounts), and Available Redemption Receipts to be applied on the immediately following Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Redemption Priority of Payments (as applicable);

(c) calculate on each Calculation Date up to and including the Calculation Date immediately preceding the Final Redemption Date (prior to the service of an Enforcement Notice) the amount of any Rated Note Reserve Fund Liquidity Release Amount to be applied on the immediately following Interest Payment Date (such amount to be determined after calculation of the Available Revenue Receipts to be applied on such Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date (including any Rated Note Reserve Fund Available Amount to be applied as Available Revenue Receipts on such Interest Payment Date) and debited from the Rated Note Reserve Fund Required Liquidity Sub-Ledger prior to the application of Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date); and

(d) provide the Issuer, the Servicer, the Security Trustee, the Noteholders, the Certificateholders, the Rating Agencies, Bloomberg and any prospective investors in the Notes with the Investor Report on each month on any day in each calendar month, provided that (i) in the case of a month in which no Interest Payment Date falls, the Servicer shall have delivered the Servicer Report by no later than the tenth Business Day of that month and (ii) in respect of a month in which an Interest Payment Date falls, the Cash Manager shall (assuming delivery by the Servicer of the Servicer Report by no later than the fourth Business Day of that month) provide the Investor Report by no later than one Business Day following each relevant Calculation Date.

At the direction of the Servicer, the Cash Manager, on behalf of and in the name of the Issuer, may invest monies standing from time to time to the credit of the Deposit Account in Authorised Investments as determined by the Servicer, subject to the following provisions:

(a) any investment in any Authorised Investments shall be made in the name of the Issuer;

(b) any costs properly and reasonably incurred in making, changing or otherwise disposing of any investment in any Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and

(c) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the Deposit Account.

The Cash Manager shall not be responsible (save where any loss results from the Cash Manager's own fraud, wilful default or gross negligence or that of its directors, officers or employees) for any loss occasioned by reason of any such investment in any Authorised Investments or any purported investment in any Authorised Investments whether by depreciation in value or otherwise, provided that any such investment in any Authorised Investments was made in accordance with the terms of the Cash Management Agreement.

Cash Manager and Directions from the Security Trustee

The Cash Manager will act upon the direction of the Security Trustee (given in accordance with the terms and provisions of the Deed of Charge) upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer.

Remuneration of Cash Manager

The Cash Manager will be paid a cash management fee for its cash management services under the Cash Management Agreement. Such fees will be determined under a separate fee letter between the Issuer and the Cash Manager. Any sum (or other consideration) payable (or provided) by the Issuer to the Cash Manager in respect of that fee shall be deemed to be exclusive of VAT, if any, chargeable on any supply for which the cash management fee is the consideration (in whole or in part) for VAT purposes. The cash management fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments or, as the case may be, the Post-Enforcement Priority of Payments.

Termination of Appointment and Replacement of Cash Manager

If any of the following events (**Cash Manager Termination Events**) shall occur:

(a) default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied; or

(b) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Note Trustee as notified to the Security Trustee is materially prejudicial to the interests of the Noteholders, and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied; or

(c) an Insolvency Event occurs in respect of the Cash Manager; or

(d) it becomes unlawful for the Cash Manager to perform its obligations under the Cash Management Agreement or under any other Transaction Document,

then prior to the delivery of an Enforcement Notice, the Issuer (with the written consent of the Security Trustee), or following the delivery of an Enforcement Notice, the Security Trustee, may, at once or at any time thereafter while such default continues, by notice in writing to the Cash Manager (with a copy to the Security Trustee if such notice is delivered by the Issuer), terminate its appointment as Cash Manager under the Cash Management Agreement with effect from a date (not earlier than the date of the notice) specified in such notice. In determining whether to give or withhold consent to the termination of the Cash Manager by the Issuer, the Security Trustee will have regard to factors including, *inter alia*, the availability of a substitute cash manager. Upon termination of the appointment of the Cash Manager, the Issuer shall use reasonable endeavours to appoint a substitute cash manager that satisfies the conditions set out below.

Any substitute cash manager:

(a) must agree to enter into an agreement with the Issuer on terms commercially acceptable in the market, pursuant to which the substitute cash manager agrees to assume and perform all material duties and obligations of the Cash Manager under the Cash Management Agreement;

(b) must be a party that the Rating Agencies have previously confirmed by whatever means such Rating Agencies consider appropriate (provided that the Issuer is permitted to and does confirm in writing (including by email) to the Security Trustee that such confirmation has been obtained) the appointment of which will not cause the then current ratings of the Rated Notes to be adversely affected; and

(c) will be subject to the prior written approval of the Security Trustee.

For the avoidance of doubt, upon termination of the appointment of the Cash Manager, if the Issuer is unable to find a suitable third party willing to act as a substitute cash manager, this shall not constitute any breach of the provisions of the Cash Management Agreement.

Resignation of the Cash Manager

The Cash Manager may resign on giving not less than 45 days' written notice (or such shorter time as may be agreed between the Cash Manager, the Issuer, the Servicer and the Security Trustee) of its resignation to the Issuer, the Servicer, the Originator and the Security Trustee, provided that:

(a) a substitute cash manager shall be appointed, such appointment to be effective not later than the date of such termination;

(b) such substitute cash manager has the requisite cash management experience to perform the functions to be given to it under the Cash Management Agreement and is approved by the Issuer and the Security Trustee;

(c) such substitute cash manager enters into a cash management agreement with the Issuer on terms commercially acceptable in the market, pursuant to which the substitute cash manager agrees to assume and perform all material duties and obligations of the Cash Manager under the Cash Management Agreement; and

(d) (if Rated Notes remain outstanding) the then current ratings of the Rated Notes are not adversely affected as a result thereof, unless the Security Trustee or the relevant Class or Classes of Noteholders (acting by way of an Extraordinary Resolution) otherwise agree.

Governing Law

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

The Bank Account Agreement

Pursuant to the terms of a bank account agreement entered into on or about the Closing Date between the Issuer, the Issuer Account Bank, the Cash Manager and the Security Trustee (the **Bank Account Agreement**), the Issuer will maintain with the Issuer Account Bank the Deposit Account and the Swap Collateral Account which will be operated in accordance with the Cash Management Agreement, the Deed of Charge and, in relation to the Swap Collateral Account, the Swap Agreement. The Issuer Account Bank is required to have the Account Bank Rating.

Governing Law

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

Account Bank Rating means a short-term unsecured, unsubordinated and unguaranteed debt rating of 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 debt rating of at least A by S&P, or should the Issuer Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-1 from S&P, a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A+ by S&P, and a short-term issuer default rating of at least F1 by Fitch and a long-term issuer default rating of at least A by Fitch, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Rated Notes.

The Corporate Services Agreement

On or prior to the Closing Date, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings, the Originator and the Security Trustee will enter into a corporate services agreement (the **Corporate Services Agreement**) pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), providing the directors with 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 Non-DD Collection Account Declaration of Trust

On 5 December 2013, the Originator, the Security Trustee and others entered into the Non-DD Collection Account Declaration of Trust (the **Non-DD Collection Account Declaration of Trust**) pursuant to which the Originator declared a trust (the **Non-DD Collection Account Trust**) in favour of, *inter alia*: (a) the Seller, (b) the Originator and (c) certain other additional beneficiaries that may accede to the terms of the Non-DD Collection Account Trust over all its rights, title, interest and benefit (both present and future) in the Non-DD Collection Account, including all amounts standing to the credit of the Non-DD Collection Account, absolutely for each of the beneficiaries (including, following the execution of the Non-DD Collection Account Accession Undertaking (as defined below), the Issuer) in the manner and in the proportions specified in the Non-DD Collection Account Declaration of Trust.

On or prior to the Closing Date, the Issuer, the Originator, the Security Trustee and others will enter into an accession undertaking (the **Non-DD Collection Account Accession Undertaking**) under which the Issuer will accede to the terms of the Non-DD Collection Account Declaration of Trust as a beneficiary of the Non-DD Collection Account Trust.

The Issuer's share of the Non-DD Collection Account Trust at any relevant time (the **Non-DD Issuer Trust Share**) shall equal all amounts credited to the Non-DD 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.

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

Governing Law

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

The Non-DD 2014-1 Collection Account Declaration of Trust

On or prior to the Closing Date, the Issuer, the Originator and the Security Trustee will enter into the Non-DD 2014-1 Collection Account Declaration of Trust (the **Non-DD 2014-1 Collection Account Declaration of Trust**) pursuant to which the Originator will declare a trust (the **Non-DD 2014-1 Collection Account Trust**) in favour of the Issuer over all its rights, title, interest and benefit (both present and future) in the Non-DD 2014-1 Collection Account, including all amounts standing to the credit of the Non-DD 2014-1

Collection Account, absolutely for the beneficiary in the manner and in the proportions specified in the Non-DD 2014-1 Collection Account Declaration of Trust.

Governing Law

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

The DD Collection Account Declaration of Trust and Account Bank Deed

On or prior to the Closing Date, the Issuer, the Originator, the Servicer, the Security Trustee and the Collection Account Bank will enter into a collection account declaration of trust and bank account agreement (the **DD Collection Account Declaration of Trust and Account Bank Deed**) pursuant to which the Originator will declare a trust (the **DD Collection Account Trust**) in favour of the Issuer over all its rights, title, interest and benefit (both present and future) in the DD Collection Account, including all amounts standing to the credit of the DD Collection Account, absolutely for the beneficiary in the manner and in the proportions specified in the DD Collection Account Declaration of Trust and Account Bank Deed.

The Originator and the Issuer (in its capacity as the beneficiary of the DD Collection Account Trust) shall appoint the Collection Account Bank as account bank in relation to the DD Collection Account.

All Revenue Receipts and Redemption Receipts received in respect of the Loans from Borrowers by Direct Debit payment will be paid into the DD Collection Account. The Collection Account Bank shall be entitled at any time to deduct from amounts standing to the credit of the DD Collection Account any amounts to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums relating to amounts received in respect of the Loans from Borrowers or to pay certain other amounts due or owing to the Collection Account Bank.

Certain fees and expenses of the Collection Account Bank will be paid by the Issuer, subject to and in accordance with the Priority of Payments.

Governing Law

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

Other Agreements

For a description of the Swap Agreement, see "*Credit Structure*" below.

CREDIT STRUCTURE

The Notes are obligations of the Issuer only. The Notes are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes are not obligations of, or the responsibility of, or guaranteed by, any of the Relevant Parties. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Relevant Parties or by any other person other than the Issuer.

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

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

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the 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 (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess payable to the Certificateholders under item (v) of the Pre-Enforcement Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio relative to the interest rates on the Notes (taking into account in respect of the Fixed Rate Loans amounts due to or by the Issuer pursuant to the terms of the Swap Agreement) (as to which, see "*Interest Rate Risk for the Notes*" below) and the performance of the Portfolio.

Available Revenue Receipts will be applied (after making payments ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio and from the application of Available Redemption Receipts as Principal Addition Amounts to cure any Senior Expenses Deficit in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments.

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

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

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date from and including the Optional Redemption Date or the Final Redemption Date or on any Interest Payment Date on which the Notes are to be redeemed pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*) exceeds the aggregate of the payments required to be met under items (a) to (q) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available as Enhanced Amortisation Amounts to be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

2. Rated Note Reserve Fund and Rated Note Reserve Fund Ledger

On the Closing Date, the Issuer will establish a fund which will be credited with the Rated Note Reserve Fund Required Amount from part of the proceeds of the Subordinated Noteholders' subscription for the Subordinated Notes on the Closing Date (the **Rated Note Reserve Fund**) to provide liquidity support (and ultimately, credit enhancement) for the Rated Notes. The Rated Note Reserve Fund will be deposited in the Deposit Account (with a corresponding credit being made to the Rated Note Reserve Fund Ledger). The Issuer may invest the amounts standing to the credit of the Rated Note Reserve Fund from time to time in Authorised Investments. For more information about the application of the amounts standing to the credit of the Rated Note Reserve Fund, see the section "*Cashflows – Application of Monies released from the Rated Note Reserve Fund*" below.

The Cash Manager will maintain the Rated Note Reserve Fund Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Rated Note Reserve Fund. The Cash Manager will maintain two sub-ledgers on the Rated Note Reserve Fund Ledger (being the Rated Note Reserve Fund Liquidity Sub-Ledger and the Rated Note Reserve Fund Available Amounts Sub-Ledger).

After the Closing Date, on each Interest Payment Date up to and including the Final Redemption Date, the Rated Note Reserve Fund will be replenished up to the Rated Note Reserve Fund Required Amount from Available Revenue Receipts (to the extent available) in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments.

Following the determination by the Cash Manager on each Calculation Date of the Rated Note Reserve Fund Required Liquidity Amount in respect of the immediately following Interest Payment Date, the Cash Manager shall (i) record all amounts standing to the credit of the Rated Note Reserve Fund up to (and including) such Rated Note Reserve Fund Required Liquidity Amount to the Rated Note Reserve Fund Liquidity Sub-Ledger and all amounts standing to the credit of the Rated Note Reserve Fund in excess of such Rated Note Reserve Fund Required Liquidity Amount to the Rated Note Reserve Fund Available Amounts Sub-Ledger and (ii) following such adjustments to the Rated Note Reserve Fund sub-ledgers, determine the Rated Note Reserve Fund Available Amount for application as Available Revenue Receipts on the immediately following Interest Payment Date.

On each Interest Payment Date up to and including the Final Redemption Date, the Cash Manager will apply as Available Revenue Receipts the Rated Note Reserve Fund Available Amount (as determined on the immediately preceding Calculation Date).

On any Calculation Date (prior to the service of an Enforcement Notice), if the Cash Manager determines that on the immediately following Interest Payment Date, there would be a Revenue Deficit, the Cash Manager will apply on such Interest Payment Date an amount from the Rated Note Reserve Fund equal to the lesser of:

(a) the amount standing to the credit of the Rated Note Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date (for the avoidance of doubt, prior to any amounts being debited from the Rated Note Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date); and

(b) the amount of such Revenue Deficit,

(such amount being the **Rated Note Reserve Fund Liquidity Release Amount**), in meeting such Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments (any such amount to be debited from the Rated Note Reserve Fund Liquidity Sub-Ledger immediately prior to the application of Available Revenue Receipts pursuant to the Pre-Enforcement Priority of Payments on such Interest Payment Date).

The **Revenue Deficit** shall be, on any Interest Payment Date, an amount equal to the aggregate of:

(a) any shortfall in Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts) to pay items (a) to (g) and (i) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

(b) either (i) if there is no debit balance on the Class C Principal Deficiency Sub-Ledger on such Interest Payment Date, any shortfall in Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts) to pay item (k) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date or (ii) if there is a debit balance on the Class C Principal Deficiency Sub-Ledger on such Interest Payment Date, zero; and

(c) either (i) if there is no debit balance on the Class D Principal Deficiency Sub-Ledger on such Interest Payment Date, any shortfall in Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts) to pay item (m) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date or (ii) if there is a debit balance on the Class D Principal Deficiency Sub-Ledger on such Interest Payment Date, zero,

as determined by the Cash Manager on the immediately preceding Calculation Date.

For the avoidance of doubt, in the event there is a shortfall in Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts) to pay items (k) or (m) in the Pre-Enforcement Revenue Priority of Payments on any applicable Interest Payment Date, but there is a debit balance on the Principal Deficiency Sub-Ledger for the relevant Class of Notes, the shortfall for the purposes of such item shall be deemed to be zero for the purposes of the calculation of any Rated Note Reserve Fund Liquidity Release Amount and such items will not be relevant items for the purposes of the application of the Rated Note Reserve Fund Liquidity Release Amount.

The **Rated Note Reserve Fund Available Amount** on any Interest Payment Date will be an amount equal to the greater of:

(a) zero; and

(b) the amount standing to the credit of the Rated Note Reserve Fund Ledger on such Interest Payment Date (for the avoidance of doubt, prior to any amounts being debited from the Rated Note Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date), less the Rated Note Reserve Fund Required Liquidity Amount on such Interest Payment Date.

The **Rated Note Reserve Fund Required Amount** on any Interest Payment Date up to and including the Final Redemption Date will be an amount equal to 3.00 per cent. of the Principal Amount Outstanding of the Rated Notes as at the Closing Date, minus the Class A Liquidity Reserve Fund Required Amount and on each Interest Payment Date following the Final Redemption Date, zero. On the Closing Date, the Rated Note Reserve Fund Required Amount will be equal to £4,406,750.

On the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund after first having applied the Rated Note Reserve Fund Available Amount as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and any Rated Note Reserve Fund Liquidity Release Amount in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, and after amounts have been credited to the Rated Note Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments on the Final Redemption Date) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

The **Rated Note Reserve Fund Required Liquidity Amount** will be:

(a) on any Interest Payment Date up to and including the Final Redemption Date, an amount equal to the lesser of (i) 3.00 per cent. of the Principal Amount Outstanding of the Rated Notes on the Closing Date; and (ii) 6.00 per cent. of the Principal Amount Outstanding of the Rated Notes on such Interest Payment Date prior to application of the Available Revenue Receipts and the Available Redemption Receipts in accordance with the applicable Priority of Payments on such Interest Payment Date; in each case, less the Class A Liquidity Reserve Fund Required Amount; and

(b) on each Interest Payment Date following the Final Redemption Date, zero.

3. Use of Available Redemption Receipts to pay Senior Expenses Deficit

On each Calculation Date prior to the service of an Enforcement Notice, and with reference to the immediately following Interest Payment Date, the Cash Manager will calculate whether (after application of any Rated Note Reserve Fund Liquidity Release Amount to meet any Revenue Deficit) there will be an excess or a deficit of Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts) available to pay items (a) to (f) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date. If the Cash Manager determines that there will be a deficit (the **Senior Expenses Deficit**), then pursuant to item (a) of the Pre-Enforcement Redemption Priority of Payments, the Cash Manager on behalf of the Issuer shall apply the Principal Addition Amounts as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

Any Available Redemption Receipts applied as Principal Addition Amounts will be recorded as a debit on the Principal Deficiency Ledger (as further described below).

For more information about the application of Available Redemption Receipts to pay Senior Expenses Deficits, see the section "*Cashflows – Application of Available Redemption Receipts to cure a Senior Expenses Deficit*".

4. Class A Liquidity Reserve Fund and Class A Liquidity Reserve Fund Ledger

The Issuer will maintain the Class A Liquidity Reserve Fund to provide liquidity for senior expenses and the Class A Notes. The Class A Liquidity Reserve Fund will be deposited in the Deposit Account and a corresponding credit will be made to the Class A Liquidity Reserve Fund Ledger. The Issuer may invest amounts standing to the credit of the Class A Liquidity Reserve Fund in Authorised Investments. The Class A Liquidity Reserve Fund will be funded from part of the proceeds of the Subordinated Noteholders' subscription for the Subordinated Notes on the Closing Date.

On each Interest Payment Date (prior to the service of an Enforcement Notice), the Cash Manager will apply the amount standing to the credit of the Class A Liquidity Reserve Fund as Available Revenue Receipts. The Class A Liquidity Reserve Fund will be funded on each Interest Payment Date up to the Class A Liquidity Reserve Fund Required Amount from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and, if applicable, from Rated Note Reserve Fund Liquidity Release Amounts. For more information about the application of the amounts standing to the credit of the Class A Liquidity Reserve Fund, see the section "*Cashflows – Application of Monies drawn from the Class A Liquidity Reserve Fund*".

5. Principal Deficiency Ledger

A Principal Deficiency Ledger will be established to record any Losses affecting the Loans in the Portfolio and/or any Principal Addition Amounts. The **Principal Deficiency Ledger** will comprise five sub-ledgers: the Principal Deficiency Ledger relating to the Class A Notes (the **Class A Principal Deficiency Sub-Ledger**), the Principal Deficiency Ledger relating to the Class B Notes (the **Class B Principal Deficiency Sub-Ledger**), the Principal Deficiency Ledger relating to the Class C Notes (the **Class C Principal Deficiency Sub-Ledger**), the Principal Deficiency Ledger relating to the Class D Notes (the **Class D Principal Deficiency Sub-Ledger,**) and the Principal Deficiency Ledger relating to the Class Z Notes (the **Class Z Principal Deficiency Sub-Ledger**) (each a **Principal Deficiency Sub-Ledger**). Any Losses on the Portfolio and/or any Principal Addition Amounts will be recorded as a debit (on the date that the Cash Manager is informed of such Losses by the Servicer or such Principal Addition Amounts are determined by the Cash Manager (as applicable)) (a) first, to the Class Z Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class Z Notes; (b) second, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (c) third, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (d) fourth, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and (e) fifth, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Loan to outstanding fees and interest amounts due and payable on the relevant Loan. The Cash Manager will record as a credit to the Principal Deficiency Ledger (i) Available Revenue Receipts applied pursuant to items (h), (j), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon become Available Redemption Receipts) and (ii) Enhanced Amortisation Amounts applied in accordance with item (r) of the Pre-Enforcement Revenue Priority of Payments (which amounts shall, for the avoidance of doubt, thereupon become Available Redemption Receipts).

Any amount credited to the Principal Deficiency Ledger in respect of Enhanced Amortisation Amounts will be reduced to the extent of any future Losses arising in respect of the Portfolio.

6. Available Revenue Receipts and Available Redemption Receipts

Available Revenue Receipts and Available Redemption Receipts shall be applied on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments, respectively. Other than amounts which the Issuer expects to generate in each accounting period as its profit in respect of the business of the Issuer, amounts standing to the credit of the Rated Note Reserve Fund Liquidity Sub-Ledger (other than any amounts representing the Rated Note Reserve Fund Liquidity Release Amounts) and the Swap Collateral Ledger (if any), it is not intended that any surplus will be accumulated in the Issuer.

If, on any Interest Payment Date while there are Rated Notes outstanding, the Issuer has insufficient Available Revenue Receipts and Rated Note Reserve Fund Liquidity Release Amounts to pay the interest that would otherwise be payable absent the deferral provisions in respect of the Notes other than in respect of the Most Senior Class of Notes, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. Any such deferral in accordance with the deferral provisions contained in the Conditions will not constitute an Event of Default. However, failure to pay interest on the Most Senior Class of Notes within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

7. Interest Rate Risk for the Notes

Swap Agreement

On or about the Closing Date, the Issuer and the Swap Provider will enter into the ISDA Master Agreement, schedule, credit support annex and confirmation (as amended or supplemented from time to time) relating to the Swap Transaction (the **Swap Agreement**).

ISDA Master Agreement means the 2002 ISDA Master Agreement (Multicurrency – Cross Border), as published by ISDA.

Swap Transaction

Some of the Loans in the Portfolio pay or will pay a fixed rate of interest for an initial period of time. However, the Issuer's liabilities under the Rated Notes are based on LIBOR for the relevant period.

To provide a hedge against the possible variance between:

(a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio (including any Fixed Rate Loans comprised in the Further Portfolio); and

(b) the rate of interest under the Rated Notes being calculated by reference to LIBOR,

the Issuer will enter into the Swap Transaction with the Swap Provider under the Swap Agreement on the Closing Date.

Under the Swap Transaction, for each Swap Calculation Period falling prior to the termination date of the Swap Transaction, the following amounts will be calculated:

(a) the amount produced by applying three month (or, in respect of the first period, the linear interpolation of one and three month) LIBOR to the Notional Amount (as defined below) of the Swap Transaction for the relevant Swap Calculation Period and multiplying the resulting amount by the Day Count Fraction (as defined below) (the **Swap Provider Swap Amount**); and

(b) the amount produced by applying a Fixed Rate (as defined in the Swap Agreement) to the Notional Amount of the Swap Transaction for the relevant Swap Calculation Period and multiplying the resulting amount by the Day Count Fraction (the **Issuer Swap Amount**).

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

(a) if the Swap Provider Swap Amount for that Swap Payment Date is greater than the Issuer Swap Amount for that Swap Payment Date, then the Swap Provider will pay an amount equal to the excess to the Issuer;

(b) if the Issuer Swap Amount for that Swap Payment Date is greater than the Swap Provider Swap Amount for that Swap Payment Date, then the Issuer will pay an amount equal to the excess to the Swap Provider; and

(c) if the two amounts are equal, neither party will make a payment to the other.

For the purposes of calculating both the Issuer Swap Amount and Swap Provider Swap Amount in respect of a Swap Calculation Period, the notional amount of the Swap Transaction (the **Notional Amount**) is an amount in Sterling equal to the product of (i) the Payment Ratio in respect of the

Swap Calculation Period; and (ii) the Fixed Notional Amount in respect of the Swap Calculation Period.

For the purposes of determining the amounts payable under the Swap Transaction the following definitions apply:

Day Count Fraction means in respect of any Swap Calculation Period, the number of calendar days in that Swap Calculation Period divided by 365;

Fixed Interest Reference Date means in respect of any Swap Calculation Period (other than the first Swap Calculation Period), the first calendar day of March, June, September and December in each year, provided that the first Fixed Interest Reference Date means 1 July 2014;

Fixed Notional Amount means:

(a) in respect of each Swap Calculation Period (other than the first Swap Calculation Period), an amount notified by the Servicer in Sterling equal to the aggregate Current Balance of the Fixed Rate Loans in the Portfolio on the basis of the start of day position on the Fixed Interest Reference Date immediately preceding the relevant Swap Calculation Period (which for the avoidance of doubt is inclusive of any interest rate accrual amount relating to the previous month that has been applied on such day but is exclusive of any other payments or postings on such day), as adjusted to reflect any repurchases by the Seller or the Originator in accordance with the Mortgage Sale Agreement that take effect on the Monthly Pool Date falling at the start of the relevant Collection Period (if applicable), provided that in respect of the second Swap Calculation Period, if the Further Portfolio Sale Date occurs after the Fixed Interest Reference Date immediately preceding that Swap Calculation Period, the aggregate Current Balance of the Fixed Rate Loans shall be deemed to include any Fixed Rate Loans comprised in the Further Portfolio on the Further Portfolio Sale Date as if such Fixed Rate Loans were comprised in the Portfolio at the start of day on the Fixed Interest Reference Date immediately preceding that Swap Calculation Period; and

(b) in respect of the first Swap Calculation Period, an amount notified by the Servicer in Sterling equal to the aggregate Current Balance of the Fixed Rate Loans in the Initial Portfolio on the basis of the start of day position on the first Fixed Interest Reference Date, (which for the avoidance of doubt is inclusive of any interest rate accrual amount relating to the previous month that has been applied on such day but is exclusive of any other payments or postings on such day).

Notional Amount means in respect of each Swap Calculation Period, an amount in Sterling equal to the product of (i) the Payment Ratio for the relevant Swap Calculation Period, and (ii) the Fixed Notional Amount for the relevant Swap Calculation Period;

Payment Ratio means, in respect of a Swap Calculation Period, the ratio of X/Y, where:

X = the Fixed Notional Amount for such Swap Calculation Period minus the aggregate Current Balance of the Fixed Rate Loans which are Enforced Loans as at the Fixed Interest Reference Date immediately preceding the relevant Swap Calculation Period; and

Y = the Fixed Notional Amount for such Swap Calculation Period;

Swap Calculation Period means (other than the first Swap Calculation Period), each period that commences on (and includes) a Swap Payment Date and ends on (but excludes) the immediately following Swap Payment Date and in respect of the first Swap Calculation Period, means the period commencing on (and including) the Closing Date and ending on (but excluding) the Swap Payment Date falling in September 2014; and

Swap Payment Date means 12 March, 12 June, 12 September and 12 December in each year commencing on 12 September 2014 and ending on the termination date of the Swap Transaction, in each case subject to adjustment in accordance with the modified following business day convention as set out in the Swap Agreement.

General

If a payment is made by the Swap Provider (other than (i) any early termination amount received by the Issuer under the Swap Agreement, (ii) Swap Collateral, (iii) any Replacement Swap Premium paid to the Issuer, and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date other than, in each case, any Swap Collateral Account Surplus which is to be applied as Available Revenue Receipts in accordance with the Swap Collateral Account Priority of Payments), that payment will be included in the Available Revenue Receipts and will be applied on the relevant Swap Payment Date according to the applicable Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the applicable Priority of Payments of the Issuer.

Under the terms of the Swap Agreement, in the event that the relevant rating(s) of the Swap Provider assigned by a Rating Agency falls below the required swap rating (the **Required Swap Rating**) (as to which see further the section entitled "*Transaction Overview – Triggers Tables*"), the Swap Provider will, in accordance with the Swap Agreement, be required to take certain remedial measures within the timeframe stipulated in the Swap Agreement and at its own cost which may include providing collateral for its obligations under the Swap Transaction, arranging for its obligations under the Swap Transaction to be transferred to an entity with the Required Swap Ratings or procuring another entity with the Required Swap Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Transaction.

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

(a) if there is a failure by a party to pay amounts due under the Swap Agreement and any applicable grace period has expired;

(b) if certain insolvency events occur with respect to the Swap Provider;

(c) if a material misrepresentation is made by the Swap Provider under the Swap Agreement;

(d) if a breach of a provision of the Swap Agreement by the Swap Provider is not remedied within the applicable grace period;

(e) if a change of law results in the obligations of one of the parties becoming illegal;

(f) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Swap Transaction due to a change in law;

(g) if the Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement and described above;

(h) service by the Note Trustee of an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes;

(i) if there is a redemption of the Rated Notes pursuant to Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*); and

(j) if the Issuer becomes subject to certain clearing obligations and/or the margin posting requirements in respect of the Swap Agreement.

Under the terms of the Swap Agreement, upon an early termination of the Swap Transaction, depending on the type of Early Termination Event and the circumstances prevailing at the time of termination, the Issuer or the Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment may reflect, among other things, the cost of entering into a replacement transaction at the time, third party market data such as rates, prices, yields and yield curves, or similar information derived from internal sources of the party making the determination and will include any unpaid amounts that became due and payable on or prior to the date of termination.

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

The Issuer is not obliged under the Swap Agreement to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under the Swap Transaction.

The Swap Provider will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by it under the Swap Agreement. However, if the Swap Provider is required to gross up a payment under the Swap Agreement due to a change in the law, the Swap Provider may terminate the Swap Agreement.

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

CASHFLOWS

Definition of Revenue Receipts

Revenue Receipts means (a) payments of interest and other fees due from time to time under the Loans (including any Early Repayment Charges) and other amounts received by the Issuer in respect of the Loans and their Related Security other than payments of interest, fees and other amounts comprising Optional Repurchase Collections and Redemption Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced, (c) recoveries of all amounts from defaulting Borrowers under Loans following enforcement and sale of the relevant property, (d) the proceeds of repurchase attributable to Accrued Interest and Arrears of Interest only of any Loan repurchased by the Seller or the Originator from the Issuer pursuant to the Mortgage Sale Agreement and (e) such part of any Optional Repurchase Price as is required to pay in full all amounts payable under items (a) to (q) (inclusive) of the Pre-Enforcement Revenue Priority of Payments after taking into account any part of the Optional Repurchase Price provided for in (d) above and any other Available Revenue Receipts otherwise available to the Issuer.

Definition of Available Revenue Receipts

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

(a) Revenue Receipts or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date received (i) during the immediately preceding Collection Period, or (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security by the Seller and/or the Originator pursuant to the Mortgage Sale Agreement, from but excluding the Monthly Pool Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including (A) the immediately preceding Monthly Pool Date or (B) in respect of a repurchase by the Seller or the Originator to effect a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*), the immediately preceding Calculation Date;

(b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period (other than any amount of interest or income received in respect of any Swap Collateral) and income from any Authorised Investments to be received on or prior to the Interest Payment Date (other than any amount of income received in respect of the Swap Collateral);

(c) any Principal Addition Amounts;

(d) amounts received or to be received by the Issuer under or in connection with the Swap Agreement (other than (i) any early termination amount received by the Issuer under the Swap Agreement, (ii) Swap Collateral, (iii) any Replacement Swap Premium paid to the Issuer, and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date other than, in each case, any Swap Collateral Account Surplus which is to be applied as Available Revenue Receipts in accordance with the Swap Collateral Account Priority of Payments);

(e) on the first Interest Payment Date, an amount credited to the Deposit Account on the Closing Date from part of the proceeds of the Subordinated Notes in an amount equal to the Prefunding Yield Maintenance Required Amount;

(f) the Rated Note Reserve Fund Available Amount;

(g) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*);

(h) any amount standing to the credit of the Class A Liquidity Reserve Fund Ledger;

(i) amounts credited to the Deposit Account on the previous Interest Payment Date in accordance with item (u) of the Pre-Enforcement Revenue Priority of Payments; and

(j) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Redemption Receipts;

less:

(k) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):

(i) certain costs and expenses charged by the Servicer in respect of its servicing of the Loans, other than any Special Servicing Fee or Mortgage Administration Fee and not otherwise covered by the items below;

(ii) payments of certain insurance premiums in respect of the Block Insurance Policies (to the extent referable to the Loans);

(iii) amounts under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited; and

(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,

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

(l) any tax payments paid or payable by the Issuer during the immediately preceding Collection Period to the extent not funded from amounts standing to the credit of the Issuer Profit Ledger; and

(m) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the DD Collection Account or to pay any amounts due to the Collection Account Bank.

Application of Monies released from the Rated Note Reserve Fund

Prior to service of an Enforcement Notice on the Issuer, (i) the Rated Note Reserve Fund Available Amount will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (ii) an amount equal to the Rated Note Reserve Fund Liquidity Release Amount will be applied on each Interest Payment Date to meet any Revenue Deficit existing on such Interest Payment Date against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments. On the Final Redemption Date all amounts standing to the credit of the Rated Note Reserve Fund Ledger will be applied (after first having applied Available Revenue Receipts, including the Rated Note Reserve Fund Available Amount, in accordance with the Pre-Enforcement Revenue Priority of Payments and any Rated Note Reserve Fund Liquidity Release Amount in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, and after amounts have been credited to the Rated Note Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments on the Final Redemption Date) as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments. Following service of an Enforcement Notice on the Issuer, all amounts standing to the credit of the Rated Note Reserve Fund Ledger will be applied in accordance with the Post-Enforcement Priority of Payments.

Application of Available Redemption Receipts to cure a Senior Expenses Deficit

Prior to service of an Enforcement Notice on the Issuer, if the Cash Manager calculates that there will be a Senior Expenses Deficit on the immediately following Interest Payment Date, disregarding for such purposes amounts applied as Principal Addition Amounts (but taking into account any Rated Note Reserve Fund Liquidity Release Amounts), the Issuer shall use Available Redemption Receipts (to the extent available) to cure such a Senior Expenses Deficit on such Interest Payment Date, and such amounts will be applied as Available Revenue Receipts on such Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments.

If any Principal Addition Amounts are applied on any Interest Payment Date in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments, the Issuer (or the Cash Manager on its behalf) will make a corresponding debit entry in the Principal Deficiency Ledger.

Application of Monies drawn from the Class A Liquidity Reserve Fund

Prior to service of an Enforcement Notice on the Issuer, all amounts standing to the credit of the Class A Liquidity Reserve Fund Ledger (if funded) shall be applied as Available Revenue Receipts on each Interest Payment Date.

Following service of an Enforcement Notice on the Issuer, all amounts standing to the credit of the Class A Liquidity Reserve Fund Ledger (if funded) will be applied in accordance with the Post-Enforcement Priority of Payments.

Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer

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

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

    (i) any fees, costs, charges, liabilities, expenses and all other amounts then due to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein; and

    (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;

(b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof (in each case without double counting) of:

    (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agent and any fees, costs, charges, liabilities and expenses then due to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;

(iii) any amounts then due and payable to the Servicer and any fees (including the Special Servicing Fee and the Mortgage Administration Fee), costs, charges, liabilities and expenses then due under the provisions of the Servicing Agreement, together with VAT (if payable) 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 under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;

(v) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein; and

(vi) any amounts then due and payable to the Collection Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the DD Collection Account Declaration of Trust and Account Bank Deed, together with (if applicable) VAT thereon as provided therein;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (e) below); and

(ii) any Transfer Costs which the Servicer has failed to pay pursuant to Clause 18.3 of the Servicing Agreement;

(d) *fourth*, to provide for amounts due on the relevant Swap Payment Date, to pay, in or towards satisfaction of any amounts due to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the Swap Provider of any Replacement Swap Premium or from the Swap Collateral Account Priority of Payments but excluding, if applicable, any related Hedge Subordinated Amounts);

(e) *fifth*, to pay the Issuer an amount equal to £300 to be retained by the Issuer as profit in respect of the business of the Issuer (the **Issuer Profit Amount**);

(f) *sixth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class A Notes;

(g) *seventh*, (so long as the Class A Notes remain outstanding following such Interest Payment Date), to credit the Class A Liquidity Reserve Fund Ledger up to the Class A Liquidity Reserve Fund Required Amount;

(h) *eighth* (so long as the Class A Notes remain outstanding following such Interest Payment Date), to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);

(i) *ninth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class B Notes;

(j) *tenth* (so long as the Class B Notes remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);

(k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class C Notes;

(l) *twelfth* (so long as the Class C Notes remain outstanding following such Interest Payment Date), to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);

(m) *thirteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class D Notes;

(n) *fourteenth* (so long as the Class D Notes remain outstanding following such Interest Payment Date), to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);

(o) *fifteenth*, to credit the Rated Note Reserve Fund Ledger up to the Rated Note Reserve Fund Required Amount;

(p) *sixteenth* (so long as the Class Z Notes remain outstanding following such Interest Payment Date), to credit the Class Z Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);

(q) *seventeenth*, to provide for amounts due on the relevant Interest Payment Date, to pay in accordance with the terms of the Swap Agreement to the Swap Provider in respect of any Hedge Subordinated Amounts (to the extent not satisfied by payment to the Swap Provider by the Issuer of any applicable Replacement Swap Premium or from the Swap Collateral Account Priority of Payments);

(r) *eighteenth*, on any Interest Payment Date occurring on or after the Optional Redemption Date or the Final Redemption Date or on any Interest Payment Date on which the Notes are to be redeemed pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*), to apply all amounts as Available Redemption Receipts;

(s) *nineteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class Z Notes;

(t) *twentieth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Subordinated Notes;

(u) *twenty-first*, on any Interest Payment Date falling within a Determination Period, all remaining amounts to be credited to the Deposit Account to be applied on the next Interest Payment Date as Available Revenue Receipts; and

(v) *twenty-second*, any excess amounts *pro rata* and *pari passu* to the holders of the Residual Certificates.

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 immediately preceding the relevant date to (but excluding) the relevant date.

Appointee means any attorney, manager, agent, delegate, nominee, custodian, financial adviser or other professional adviser or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (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 Capitalised Amounts) on that Loan which is currently due and payable and unpaid on that date.

Early Repayment Charge means any charge (other than a Redemption Fee) which a Borrower is required to pay in the event that he or she repays all or any part of the relevant Loan before a specified date in the Mortgage Conditions.

Fixed Rate Accrual Date means the 12th day of each of March, June, September and December in each year.

Hedge Subordinated Amounts means, in relation to the Swap Agreement, the amount of any termination payment due and payable to the Swap Provider as a result of a Swap Provider Default or a Swap Provider Downgrade Event except to the extent such amount has already been paid pursuant to the Swap Collateral Account Priority of Payments.

Interest Period means:

(a) in relation to a Class of Rated Notes, the period from (and including) an Interest Payment Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Interest Payment Date; and

(b) in relation to the Class Z Notes or the Subordinated Notes, the period from (and including) a Fixed Rate Accrual Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Fixed Rate Accrual Date.

Mortgage Administration Fee means a fee (inclusive of VAT, if any) that the Issuer shall pay to the Servicer, of up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate of 0.15% per annum on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Cut-Off Date at the start of the immediately preceding Collection Period, in consideration for the Servicer providing Services other than the Special Services, being the cash management and incidental administration element of the Services and carrying out the other duties and obligations on its part set out in the Servicing Agreement;

Redemption Fee means the standard redemption fee charged to the Borrower by the Servicer where the Borrower makes a repayment of the full outstanding principal of a Loan on the maturity date of such Loan.

Replacement Swap Agreement means an agreement between the Issuer and a replacement swap provider to replace the Swap Transaction.

Replacement Swap Premium means an amount received by the Issuer from a replacement swap provider, or an amount paid by the Issuer to a replacement swap provider, upon entry by the Issuer into a Replacement Swap Agreement.

Special Servicing Fee means, a fee (inclusive of VAT, if any) that the Issuer shall pay to the Servicer, of up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 -day year (or over a 366 -day year in a leap year), by applying a rate up to 0.03 per cent. per annum on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Cut-Off Date at the start of the immediately preceding Collection Period, in consideration for the Servicer providing the debt collections services under the Servicing Agreement and other elements of the Services incidental thereto.

Swap Collateral means the collateral provided by the Swap Provider to the Issuer under the Swap Agreement and includes any interest and distributions in respect thereof.

Swap Provider Default means the occurrence of an Event of Default (as defined in the Swap Agreement) where the Swap Provider is the defaulting party (as defined in the Swap Agreement).

Swap Provider Downgrade Event means the occurrence of an Additional Termination Event (as defined in the Swap Agreement) following the failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Swap Agreement.

Swap Tax Credits means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the Swap Provider to the Issuer under the terms of the Swap Agreement.

Transfer Costs means the Issuer's costs and expenses associated with the transfer of servicing to a substitute servicer.

Definition of Redemption Receipts

Redemption Receipts means (a) principal repayments under the Loans (including payments of arrears of principal and Capitalised Amounts) other than any principal repayments comprising Optional Repurchase Collections, (b) recoveries of principal from defaulting Borrowers under Loans being enforced, (c) recoveries of principal from defaulting Borrowers under Loans in respect of which enforcement procedures relating to the sale of the property have been completed (including the proceeds of sale of the relevant Property, to the extent such proceeds of sale are deemed to be principal but excluding all amounts received following a sale of the relevant Property), (d) any payment pursuant to any insurance policy in respect of a Property in connection with a Loan in the Portfolio, to the extent such payment is deemed to be principal, (e) the proceeds of the repurchase of any Loan by the Seller and/or the Originator from the Issuer pursuant to the Mortgage Sale Agreement (but for the avoidance of doubt, excluding amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date and for the purposes of this item (e) only, any amounts comprising part of any Optional Repurchase Price), (f) such part of any Optional Repurchase Price as does not comprise Revenue Receipts pursuant to sub-paragraph (d) and (e) of the definition thereof and (g) any other payment received by the Issuer in the nature of principal.

Capitalised Amounts means, in relation to a Loan, at any date, amounts which are due or overdue in respect of that Loan (other than any principal amounts) and which as at that date have been capitalised in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower and any other amounts (including fees and expenses), capitalised in accordance with the Capitalisation Policy.

Definition of Available Redemption Receipts

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

(a) all Redemption Receipts or, if in a Determination Period, any Calculated Redemption Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period and (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller and/or the Originator pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Monthly Pool Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including (A) the immediately preceding Monthly Pool Date or (B) in respect of a repurchase by the Seller or the Originator to effect a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*), the immediately preceding Calculation Date;

(b) on the first Interest Payment Date only, the amounts standing to the credit of the Prefunding Reserve Ledger to the extent such funds have not been or will not be utilised to acquire the Further Portfolio;

(c) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class C Principal Deficiency Sub-Ledger and/or the Class D Principal Deficiency Sub-Ledger and/or the Class Z Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date;

(d) any amounts deemed to be Available Redemption Receipts in accordance with item (r) of the Pre-Enforcement Revenue Priority of Payments (the **Enhanced Amortisation Amounts**);

(e) on the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger, after first having applied the Rated Note Reserve Fund Available Amount as Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments and any Rated Note Reserve Fund Liquidity Release Amount to meet any Revenue Deficit on such Interest Payment Date and after amounts have been credited to the Rated Note Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments; and

(f) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*).

Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer

Prior to the service of an Enforcement Notice on the Issuer, the Cash Manager on behalf of the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Redemption Receipts on each Interest Payment Date in the following order of priority (the **Pre-Enforcement Redemption Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full):

(a) *first*, any Principal Addition Amounts to be applied to meet any Senior Expenses Deficit;

(b) *second*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;

(c) *third*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;

(d) *fourth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;

(e) *fifth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;

(f) *sixth*, on any date on or after the Optional Redemption Date or the Final Redemption Date or on any Interest Payment Date on which the Notes are to be redeemed pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*) to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, the interest due and payable on the Class Z Notes;

(g) *seventh*, on any date on or after the Optional Redemption Date or the Final Redemption Date or on any Interest Payment Date on which the Notes are to be redeemed pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*) to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, the interest due and payable on the Subordinated Notes;

(h) *eighth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class Z Notes until the Principal Amount Outstanding on the Class Z Notes has been reduced to zero;

(i) *ninth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero; and

(j) *tenth*, any excess amounts *pro rata* and *pari passu* to the holders of the Residual Certificates.

Distributions following the service of an Enforcement Notice on the Issuer

After an Enforcement Notice has been served on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by the Security Trustee in connection with the enforcement of the Security will apply all amounts received or recovered other than:

(a) any amount standing to the credit of the Swap Collateral Account which will be applied in accordance with the Swap Collateral Account Priority of Payments (other than any amount to be applied as Swap Collateral Account Surplus in accordance with the Swap Collateral Account Priority of Payments); and

(b) any amount standing to the credit of the Issuer Profit Ledger, which shall be applied by the Issuer in or towards satisfaction of any liability of the Issuer for corporation tax of the Issuer,

in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Post-Enforcement Priority of Payments** and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments, the **Priority of Payments**):

(a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof of:

   (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee, Receiver and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and

   (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee, Receiver and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

(b) *second*, in or towards satisfaction, *pro rata* and *pari passu,* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agent and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;

(iii) any amounts then due and payable to the Servicer and any fees (including the Special Servicing Fee and the Mortgage Administration Fee), costs, charges, liabilities and expenses then due under the provisions of the Servicing Agreement, together with VAT (if payable) 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;

(v) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Issuer Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein; and

(vi) any amounts then due and payable to the Collection Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the DD Collection Account Declaration of Trust and Account Bank Deed, together with (if applicable) VAT thereon as provided therein;

(c) *third*, to pay in or towards satisfaction of any amounts due to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied by any payments by the Issuer to the Swap Provider under the Swap Collateral Account Priority of Payments but excluding, if applicable, any related Hedge Subordinated Amounts);

(d) *fourth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof interest and principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;

(e) *fifth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;

(f) *sixth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;

(g) *seventh*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;

(h) *eighth*, to pay in accordance with the terms of the Swap Agreement to the Swap Provider in respect of any Hedge Subordinated Amounts (to the extent not satisfied by payment to the Swap Provider by the Issuer of any applicable amount under the Swap Collateral Account Priority of Payments);

(i) *ninth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class Z Notes until the Principal Amount Outstanding on the Class Z Notes has been reduced to zero;

(j) *tenth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero;

(k) *eleventh*, to pay, *pro rata* and *pari passu*, amounts due and payable to third parties (if any); and

(l) *twelfth*, to pay any excess amounts, *pro rata* and *pari passu*, to the holders of the Residual Certificates.

Swap Collateral

In the event that the Swap Provider is required to transfer collateral to the Issuer in respect of its obligations under the Swap Agreement (the **Swap Collateral**) in accordance with the terms of the Credit Support Annex of the Swap Agreement (the **Swap Credit Support Annex**), that collateral (and any interest and/or distributions earned thereon) will be credited to a separate swap collateral account (the **Swap Collateral Account**) and credited to the Swap Collateral Ledger. In addition, upon any early termination of the Swap Agreement (a) any Replacement Swap Premium received by the Issuer from a replacement swap provider, (b) any termination payment received by the Issuer from the outgoing Swap Provider and (c) any Swap Tax Credits will be credited to the Swap Collateral Account and recorded on the Swap Collateral Ledger.

Amounts and securities standing to the credit of each Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) and recorded on the Swap Collateral Ledger will not be available for the Issuer or the Security Trustee to make payments to the Secured Creditors generally, but may be applied by the Cash Manager only in accordance with the following provisions in accordance with the instructions of the Swap Provider or the Servicer (the **Swap Collateral Account Priority of Payments**):

(a) to pay an amount equal to any Swap Tax Credits received by the Issuer to the relevant Swap Provider;

(b) prior to the designation of an Early Termination Date (as defined in the Swap Agreement, the **Early Termination Date**) in respect of the Swap Agreement, solely in or towards payment or discharge of any Return Amounts (as defined in the Swap Credit Support Annex), Interest Amounts and Distributions (as defined in the Swap Credit Support Annex), on any day, directly to the Swap Provider;

(c) following the designation of an Early Termination Date in respect of the Swap Agreement where (A) such Early Termination Date has been designated following a Swap Provider Default or Swap Provider Downgrade Event and (B) the Issuer enters into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement, on the later of the day on which such Replacement Swap Agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:

(i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement being terminated;

(ii) *second*, in or towards payment of any termination payment due to the outgoing Swap Provider; and

(iii) *third*, the surplus (if any) on such day to be transferred to the Deposit Account to be applied as Available Revenue Receipts;

(d) following the designation of an Early Termination Date in respect of the Swap Agreement where: (A) such Early Termination Date has been designated otherwise than as a result of one of the events specified at item (c)(A) above, and (B) the Issuer enters into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement, on the later of the day on which such Replacement Swap Agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:

(i) *first*, in or towards payment of any termination payment due to the outgoing Swap Provider;

(ii) *second*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement being terminated; and

(iii) *third*, any surplus on such day to be transferred to the Deposit Account to be applied as Available Revenue Receipts;

(e) following the designation of an Early Termination Date in respect of the Swap Agreement for any reason where the Issuer does not enter into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement and, on any day, in or towards payment of any termination payment due to the outgoing Swap Provider; and

(f) following payments of amounts due pursuant to (e) above, if amounts remain standing to the credit of a Swap Collateral Account, such amounts may be applied only in accordance with the following provisions:

(i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement relates; and

(ii) *second*, any surplus remaining after payment of such Replacement Swap Premium to be transferred to the Deposit Account to be applied as Available Revenue Receipts,

provided that for so long as the Issuer does not enter into a Replacement Swap Agreement with respect to the Swap Agreement, on each Swap Payment Date, the Issuer (or the Cash Manager on its behalf) will be permitted to withdraw an amount from the Swap Collateral Account (which shall be debited to the Swap Collateral Ledger), equal to the excess of the Swap Provider Swap Amount over the Issuer Swap Amount which would have been paid by the Swap Provider to the Issuer on such Swap Payment Date but for the designation of an Early Termination Date under the Swap Agreement, such surplus to be transferred to the Deposit Account to be applied as Available Revenue Receipts; and *provided further* that for so long as the Issuer does not enter into a Replacement Swap Agreement with respect to the Swap Agreement on or prior to the earlier of:

(A) the Calculation Date immediately before the Interest Payment Date on which the Principal Amount Outstanding of all Rated Notes would be reduced to zero (taking into account any Swap Collateral Account Surplus to be applied as Available Revenue Receipts on such Interest Payment Date); or

(B) the day on which an Enforcement Notice is given pursuant to Condition 11 (*Events of Default*); or

(C) the date on which the Current Balance of the Fixed Rate Loans (excluding any Enforced Loans) is reduced to zero,

then the amount standing to the credit of such Swap Collateral Account on such day shall be transferred to the Deposit Account to be applied as Available Revenue Receipts as soon as reasonably practicable thereafter.

Swap Collateral Account Surplus means the amounts applied as Available Revenue Receipts pursuant to the Swap Collateral Account Priority of Payments.

The Swap Collateral Account will be opened in the name of the Issuer and will be held at a financial institution which satisfies the Account Bank Rating. A Swap Collateral Account and Swap Collateral Ledger will be established and maintained in respect of the Swap Agreement. As security for the payment of all monies payable in respect of the Notes and the other Secured Obligations, the Issuer will grant a first fixed charge over the Issuer's interest in the Swap Collateral Account and the debts represented thereby (which may, however, take effect as a floating charge and therefore rank behind the claims of any preferential creditors of the Issuer).

DESCRIPTION OF THE GLOBAL NOTES

General

Each Class of Notes as at the Closing Date will each be represented by a Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes will be registered in the name of the Common Depositary as nominee for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Depositary as the owner of the Global Note.

Upon confirmation by the Common Depositary that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Note attributable thereto (**Book-Entry Interests**).

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and higher integral multiples of £1,000 (an **Authorised Denomination**). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (**Participants**) or persons that hold interests in the Book-Entry Interests or the Residual Certificate Book-Entry Interests through Participants or through other Indirect Participants (**Indirect Participants**), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Joint Class A Lead Managers and the Sole Mezzanine Lead Manager. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee for the Common Depositary is the registered holder of the Global Note underlying the Book-Entry Interests, the nominee for the Common Depositary will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed. Except as set out under "*Issuance of Registered Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in respect of the Global Notes and the Book-Entry Interests*", below.

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

In the case of a Global Note, unless and until Book-Entry Interests are exchanged for Registered Definitive Notes, the Global Note held by the Common Depositary may not be transferred except as a whole by the Common Depositary to a successor of the Common Depositary.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in the Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Payments on the Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling by or to the order of Elavon Financial Services Limited, acting through its UK Branch (the **Principal Paying Agent**), on behalf of the Issuer to the order of the Common Depositary or its nominee as the registered holder thereof with respect to the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depositary or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Depositary, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the **Record Date**) Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Notes (i) where the Notes are in global registered form, shall be at the close of the Business Day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) prior to the relevant Interest Payment Date and (ii) where the Notes are in definitive registered form, shall be the date falling 15 days prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that a Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the order of the Common Depositary and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and the corresponding entry on the Register.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "*General*" above.

Issuance of Registered Definitive Notes

Holders of Book-Entry Interests in the Global Note will be entitled to receive Notes in definitive registered form (such exchanged Global Notes in definitive registered form, **Registered Definitive Notes**) in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive registered form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will not be entitled to exchange such Registered Definitive Notes for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set out under "*Transfers and Transfer Restrictions*" above and provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Registered Definitive Notes will be issued in a denomination that is an integral multiple of the minimum Authorised Denomination. See "*Risk Factors – Registered Definitive Notes and denominations in integral multiples*" above.

Action in respect of the Global Notes and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notices in respect of a Global Note or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note in accordance with any instructions set out in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above with respect to soliciting instructions from their respective

Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Notices

Whilst the Notes are represented by Global Notes the Issuer may, at its option, send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Noteholders for communication by Euroclear and Clearstream, Luxembourg to the Noteholders. Alternatively, such notices regarding the Notes may instead be published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom; provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders, publication in such newspaper shall not be required with respect to such information so long as the rules of the Irish Stock Exchange allow. The Issuer may elect not to publish any notice in a newspaper for so long as the Notes are held in global form and notice is given to Euroclear and Clearstream, Luxembourg. The Note Trustee may, in accordance with Condition 16.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Noteholders if such method is reasonable having regard to, among other things, the market practice then prevailing and the requirements of the relevant stock exchange. See also Condition 16 (*Notice to Noteholders*) of the Notes.

DESCRIPTION OF THE GLOBAL RESIDUAL CERTIFICATE

General

The Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate. The Global Residual Certificate will be registered on issue on or around the Closing Date in the name of the Common Depositary as nominee for Euroclear Bank SA / NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). The Registrar will maintain a register in which it will register the nominee for the Common Depositary as the holder of the Global Residual Certificate.

Upon confirmation by the Common Depositary that it has been issued with the Global Residual Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Residual Certificate (**Residual Certificate Book-Entry Interests**) representing beneficial interests in the Residual Certificates attributable thereto.

Ownership of Residual Certificate Book-Entry Interests will be limited to Participants or Indirect Participants, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Residual Certificate Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Residual Certificate Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Seller. Ownership of Residual Certificate Book-Entry Interests will be shown on, and transfers of Residual Certificate Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Residual Certificate Book-Entry Interests.

So long as the nominee of the Common Depositary is the registered holder of the Global Residual Certificate underlying the Residual Certificate Book-Entry Interests, it will be considered the sole Certificateholder of the Residual Certificate represented by that Global Residual Certificate for all purposes under the Trust Deed. Except as set out under the section below entitled "*Issuance of Definitive Residual Certificates*", Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Residual Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Residual Certificate Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Residual Certificate Book-Entry Interests, to exercise any rights and obligations of a holder of Residual Certificates under the Trust Deed. See the section below entitled "*Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests*".

Unlike legal owners or holders of the Residual Certificates, holders of the Residual Certificate Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Certificateholders. Instead, a holder of Residual Certificate Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Residual Certificate Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default, holders of Residual Certificate Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until

Definitive Residual Certificates are issued in accordance with the Residual Certificates Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Unless and until Residual Certificate Book-Entry Interests are exchanged for Definitive Residual Certificates, the Residual Certificates held by the nominee for the Common Depositary may not be transferred except as a whole by that nominee for the Common Depositary to a successor nominee for that Common Depositary or a nominee of a successor of the Common Depositary.

Purchasers of Residual Certificate Book-Entry Interests in a Residual Certificate will hold Residual Certificate Book-Entry Interests in the Residual Certificates relating thereto. Investors may hold their Residual Certificate Book-Entry Interests in respect of a Residual Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out in the section below entitled "*Transfers and Transfer Restrictions*"), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Residual Certificate Book-Entry Interests in each Residual Certificate on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Residual Certificate Book-Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Arranger, the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager, the Note Trustee, the Security Trustee or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective Participants or account holders of their respective obligations under the rules and procedures governing their operations.

Issuance of Definitive Residual Certificates

The Global Residual Certificate will become exchangeable in whole, but not in part, for Definitive Residual Certificates at the request of the holder of the relevant Global Residual Certificate if Euroclear or Clearstream, Luxembourg closes for business on a permanent basis without a successor to act as a clearing system with respect to the Global Residual Certificate (the **Exchange Event**).

Any Definitive Residual Certificate issued in exchange for Residual Certificate Book-Entry Interests in the Global Residual Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Residual Certificate Book-Entry Interests. Whenever a Global Residual Certificate is to be exchanged for Definitive Residual Certificates, the Issuer shall procure the prompt delivery (free of charge to the holders of the Residual Certificate Book-Entry Interests) of such Definitive Residual Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the relevant Global Residual Certificate within 30 days of the occurrence of the Exchange Event.

Payments on Global Residual Certificate

Payment of amounts due in respect of the Global Residual Certificate will be made in Sterling by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Depositary or its nominee as the registered holder thereof with respect to the Global Residual Certificate.

Each holder of Residual Certificate Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depositary or its nominee in respect of those Residual Certificate Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then none of the Issuer, the Principal Paying Agent or any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Depositary, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Residual Certificate Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the **Record Date**), Euroclear and Clearstream, Luxembourg will determine the identity of the Participants for the purposes of making payments under the Residual Certificates. The Record Date in respect of the Residual Certificates shall be as at the close of business on the Business Day prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Residual Certificate Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Residual Certificate Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Residual Certificate Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of Residual Certificates and any risk from lack of simultaneous transfers of securities.

- Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

- Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Residual Certificate Book-Entry Interests or if an owner of a Residual Certificate Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the Participants owning the relevant Residual Certificate Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Transfers and Transfer Restrictions

All transfers of Residual Certificate Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section above entitled "*General*").

Beneficial interests in the Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg. The Global Residual Certificate will bear a legend similar to that appearing under the section of this Prospectus entitled "*Transfer Restrictions and Investor Representations*" below, and neither the Global Residual Certificate nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set out in the legend appearing in the relevant Global Residual Certificate.

Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notice in respect of the Residual Certificates or any notice of solicitation of consents or requests for a waiver or other action by the Certificateholder of the Residual Certificates, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Residual Certificate Book-Entry Interests or the Residual Certificates and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Residual Certificate Book-Entry Interests or the Residual Certificates in accordance with any instructions set out in such request. Euroclear and Clearstream, Luxembourg are expected to follow the procedures described under the section above entitled "*General*", with respect to soliciting instructions from their respective Participants.

Notices

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Certificateholders for communication by Euroclear and Clearstream, Luxembourg to the Certificateholders and shall procure that the information contained in such notice shall appear on a Relevant Screen (see also Residual Certificates Condition 15 (*Notice to Certificateholders*)). The Note Trustee may in accordance with the Residual Certificates Condition 15.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Certificateholders, if such method is reasonable having regard to the then prevailing market practice.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).

1. GENERAL

The £199,700,000 Class A mortgage backed floating rate notes due 2047 (the **Class A Notes**), the £10,000,000 Class B mortgage backed floating rate notes due 2047 (the **Class B Notes**), the £15,000,000 Class C mortgage backed floating rate notes due 2047 (the **Class C Notes**), the £5,400,000 Class D mortgage backed floating rate notes due 2047 (the **Class D Notes**) and together with the Class A Notes, the Class B Notes and the Class C Notes, the **Rated Notes**), the £4,900,000 Class Z mortgage backed fixed rate notes due 2047 (the **Class Z Notes**) and the £6,903,000 Subordinated fixed rate notes due 2047 (the **Subordinated Notes**, and the Subordinated Notes together with the Rated Notes and the Class Z Notes, the **Notes**), in each case of Precise Mortgage Funding 2014-1 plc (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on 22 July 2014 (the **Closing Date**) and made between, among others, 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, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes or the Subordinated Notes, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class designation of Notes, the registered holders for the time being of such Class of Notes. The security for the Notes is constituted by a deed of charge and assignment (the **Deed of Charge**) dated on the Closing Date and made between, among others, 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 or prior to the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services Limited, acting through its UK Branch as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agent**), Elavon Financial Services Limited as registrar (in such capacity, the **Registrar**) and Elavon Financial Services Limited, acting through its UK Branch as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and a master definitions and construction schedule (the **Master Definitions and Construction Schedule**) entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

2. INTERPRETATION

2.1 Definitions

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

2.2 Interpretation

These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

3. FORM, DENOMINATION AND TITLE

3.1 Form and Denomination

Each Class of Notes will initially be represented by a global note certificate in registered form (a **Global Note**).

For so long as any of the Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as appropriate. Each Global Note will be deposited with and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg.

For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Registered Definitive Notes (as defined below) will be issued with a denomination above £199,000. A Global Note will be exchanged for the relevant Note in definitive registered form (such exchanged Global Notes in definitive registered form, the **Registered Definitive Notes**) only if either of the following applies:

(a) both Euroclear and Clearstream, Luxembourg:

  (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or

  (ii) announce an intention permanently to cease business or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things,

  and in either case no alternative clearing system satisfactory to the Note Trustee is available; or

(b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the relevant Notes in definitive registered form.

If Registered Definitive Notes are issued in respect of Notes originally represented by a Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for the relevant Notes in registered definitive form. The aggregate principal amount of the Registered Definitive Notes shall be equal to the Principal Amount Outstanding of the Notes at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Registered Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Notes in global and (if issued and printed) definitive form will be £100,000.

References to **Notes** in these Conditions shall include the Global Notes and the Registered Definitive Notes.

3.2 Title

Title to the Global Notes shall pass by and upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Registered Definitive Note shall only pass by and upon registration of the transfer in the Register.

Registered Definitive Notes may be transferred upon the surrender of the relevant Registered Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 3.1 (*Form and Denomination*) above. All transfers of Registered Definitive Notes are subject to any restrictions on transfer set out on the Registered Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Note to be issued upon transfer of such Registered Definitive Note will, within five Business Days of receipt and surrender of such Registered Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

4. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

4.1 Status and relationship between the Notes

(a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, as provided in these Conditions and the Transaction Documents.

(b) The Class B Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class B Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of Class B Notes (the **Class B Noteholders**) will be subordinated to the interests of the persons who for the time being are registered in the Register as holders of Class A Notes (the **Class A Noteholders**) (so long as any Class A Notes remain outstanding).

(c) The Class C Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class C Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class C Notes (the **Class C Noteholders**) will be subordinated to the interests of each of the Class A Noteholders and the Class B Noteholders (so long as any Class A Notes and/or any Class B Notes remain outstanding).

(d) The Class D Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class D Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class D Notes (the **Class D Noteholders**) will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders) (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes remain outstanding).

(e) The Class Z Notes constitute direct, secured and (subject as provided in Condition 18 (*Subordination by Deferral*) and the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class Z Notes rank subordinate to all payments due in respect of the Rated Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of Class Z Notes (the **Class Z Noteholders**) will be subordinated to the interests of the holders of the Rated Notes (so long as any Rated Notes remain outstanding). On or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, payments of principal on the Class Z Notes will be subordinated to payments of interest on the Subordinated Notes.

(f) The Subordinated Notes constitute direct, secured and (subject as provided in Condition 18 (*Subordination by Deferral*) and the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Subordinated Notes rank subordinate to all payments due in respect of (i) the Rated Notes and (ii) (except as provided below) the Class Z Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Subordinated Notes (the **Subordinated Noteholders**) will be subordinated to the interests of the holders of the Rated Notes (so long as any Rated Notes remain outstanding) and the Class Z Noteholders (so long as any Class Z Notes remain outstanding). On or after the Optional Redemption Date or the Final Redemption Date or on a redemption of the Notes pursuant to Condition 8.3 or Condition 8.4, payments of interest on the Subordinated Notes will be paid in priority to payments of principal on the Class Z Notes.

(g) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of holders of each Class of the Notes as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee where there is a conflict of interests between one or more classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class of Notes ranking in priority to the other relevant Classes of Notes in the Pre-Enforcement Redemption Priority of Payments, disregarding for this purpose items (f) and (g) of the Pre-Enforcement Redemption Priority of Payments, or if there are no Notes then outstanding to the Certificateholders.

(h) The Trust Deed also contains provisions limiting the powers of any Class of Noteholders to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class of Notes. Except in certain circumstances described in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class of Notes, the exercise of which will be binding (save in respect of a Basic Terms Modification) on the holders of all other Classes of Notes and the Certificateholders in each case irrespective of the effect thereof on their respective interests.

As long as any Notes are outstanding but subject to Condition 13.5, the Security Trustee shall not have regard to the interests of the other Secured Creditors.

4.2 Security

(a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.

(b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

5. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under these Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

(a) **Negative pledge**: create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertakings;

(b) **Restrictions on activities**: (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;

(c) **Disposal of assets**: assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;

(d) **Equitable and Beneficial Interest**: permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(e) **Dividends or distributions**: pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the

Issuer's memorandum and articles of association and with applicable laws or issue any further shares;

(f) **Indebtedness**: incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;

(g) **Merger**: consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;

(h) **No modification or waiver**: permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

(i) **Bank accounts**: have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee; or

(j) **Purchase Notes**: purchase or otherwise acquire any Notes.

(k) **U.S. activities**: engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

6. INTEREST

6.1 Accrual of interest

Interest Accrual

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 7 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

6.2 Interest Payment Dates

Interest will be payable in arrear on each Interest Payment Date, for all classes of Notes. The first Interest Payment Date will be the Interest Payment Date falling in September 2014.

Interest Payment Date means the 12th day of each of March, June, September and December in each year or, if such day is not a Business Day, the immediately following Business Day.

Interest shall accrue:

(a) in the case of a Class of the Rated Notes, from (and including) an Interest Payment Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Interest Payment Date; and

(b) in the case of the Class Z Notes and the Subordinated Notes, from (and including) a Fixed Rate Accrual Date (except in the case of the first Interest Period, which shall commence on (and including) the Closing Date) to (but excluding) the next following Fixed Rate Accrual Date

(each such period above, an **Interest Period**).

Fixed Rate Accrual Date means the 12th day of each of March, June, September and December in each year.

6.3 Rate of Interest

Rate of Interest

(a) The rate of interest payable from time to time in respect of each class or sub-class of the Notes (each a **Rate of Interest** and together the **Rates of Interest**) will be:

(i) in respect of the Rated Notes and any Interest Period, determined on the basis of the following provisions:

(A) 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 one and three months deposit in Sterling) of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (I) (A) from and including the Closing Date to (but excluding) the Optional Redemption Date, the Relevant Margin or (B) from (and including) the Optional Redemption Date, the Step-Up Margin, and (II) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three months or in respect of the first Interest Period the linear interpolation of one and three monthly Sterling deposits (rounded upwards, if necessary, to five decimal places)); and

(B) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph (A) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which sub-paragraph (A) shall have applied but taking account any change in the Relevant Margin and/or any change in the applicability of the Step-Up Margin;

(ii) in respect of the Class Z Notes and any Interest Period, 0.90 per cent. per annum; and

(iii) in respect of the Subordinated Notes and any Interest Period, 0.90 per cent. per annum.

There will be no minimum or maximum Rate of Interest.

(b) In these Conditions (except where otherwise defined), the expression:

(i) **Business Day** means a day (other than a Saturday or Sunday or a public holiday) on which banks are generally open for business in London;

(ii) **Interest Determination Date** means the first day of the Interest Period for which the rate will apply;

(iii) **Interest Determination Ratio** means, on any Interest Payment Date, (a) the aggregate Revenue Receipts calculated in the three preceding Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) divided by (b) the aggregate of all Revenue Receipts and all Redemption Receipts calculated in such Servicer Reports;

(iv) **LIBOR** means the London Interbank Offered Rate for Sterling deposits;

(v) **Reconciliation Amount** means in respect of any Collection Period (a) the actual Redemption Receipts as determined in accordance with the available Servicer Reports, less (b) the Calculated Redemption Receipts in respect of such Collection Period, plus (c) any Reconciliation Amount not applied in previous Collection Periods;

(vi) **Reference Banks** means the principal London office of each of the 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;

(vii) **Relevant Margin** means:

(A) in respect of the Class A Notes, 0.800 per cent. per annum;

(B) in respect of the Class B Notes, 1.150 per cent. per annum;

(C) in respect of the Class C Notes, 1.400 per cent. per annum; and

(D) in respect of the Class D Notes, 1.900 per cent. per annum;

(viii) **Relevant Screen Rate** means, in respect of the Rated Notes, 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 one and three month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01;

(ix) **Servicer Report** means a report to be provided by the Servicer no later than (in the case of any month in which an Interest Payment Date falls) the 4th Business Day of each month or (in the case of any month in which no Interest Payment Date falls) the 10th Business Day of each month in each case in accordance with the terms of the Servicing Agreement and detailing, *inter alia*, the information relating to the Portfolio necessary to produce the Investor Report; and

(x) **Step-Up Margin** means:

(A) in respect of the Class A Notes, 1.200 per cent. per annum;

(B) in respect of the Class B Notes, 1.725 per cent. per annum;

(C) in respect of the Class C Notes, 2.100 per cent. per annum; and

(D) in respect of the Class D Notes, 2.850 per cent. per annum.

6.4 Determination of Rates of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on the Interest Determination Date falling in such Interest Period, but in no event later than the third Business Day thereafter, determine the Sterling amount (the **Interest Amounts**) payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall, in respect of a Class of Rated Notes, be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Rated Notes and multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 and rounding the figure downwards to the nearest penny.

The Interest Amounts shall, in the case of the Class Z Notes and the Subordinated Notes be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Notes on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6.5 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rate of Interest and the Interest Amounts for each Class of Notes in respect of each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 16 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than two Business Days prior to the immediately succeeding Interest Payment Date. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

6.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and the Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Rates of Interest and the Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 6.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, engage an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

6.7 Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence, fraud or manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 6 (*Interest*).

6.8 Agent Bank

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an agent bank for the purposes of the Notes. The Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank and shall, in the event of the appointed office of any bank being unable or unwilling to continue to act as the agent bank or failing duly to determine the Rate of Interest or the Interest Amounts in respect of any Class of Notes for any Interest Period, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed on terms commercially acceptable in the market.

6.9 Determinations and Reconciliation

(a) In the event that the Cash Manager does not receive a Servicer Report with respect to a Collection Period (each such period, a **Determination Period**), then the Cash Manager may use the Servicer Report in respect of the three most recent Collection Periods (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in Condition 6.9(b). When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 6.9(c). Any (i) calculations properly made on the basis of such estimates in accordance with Conditions 6.9(b) and/or 6.9(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 6.9(b) and/or 6.9(c), shall be deemed to be made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.

(b) In respect of any Determination Period the Cash Manager shall on the Calculation Date immediately preceding the Determination Period:

(i) determine the Interest Determination Ratio (as defined above) by reference to the three most recently received Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) received in the preceding Collection Periods;

(ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the **Calculated Revenue Receipts**); and

(iii) calculate the Redemption Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the **Calculated Redemption Receipts**).

(c) Following the end of any Determination Period, upon receipt by the Cash Manager of the Servicer Report in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 6.9(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined above) as follows:

(i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Redemption Receipts (with a corresponding debit of the Revenue Ledger); and

(ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Redemption Ledger, as Available Revenue Receipts (with a corresponding debit of the Redemption Ledger),

provided that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Redemption Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

7. PAYMENTS

7.1 Payment of Interest and Principal

Subject to paragraph 2 of Condition 3.1 (*Form and Denomination*), payments of any amount in respect of a Note, including principal and interest, shall be made by:

(a) (other than in the case of final redemption) Sterling cheque; or

(b) (other than in the case of final redemption) upon application by the relevant Noteholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London; and

(c) (in the case of final redemption) Sterling cheque upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Note or Registered Definitive Notes (as the case may be) at the specified office of any Paying Agent.

7.2 Laws and Regulations

Payments of any amount in respect of a Note including principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

7.3 Payment of Interest following a Failure to pay Principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 6.1 (*Accrual of interest*) and Condition 6.3 (*Rate of Interest*) will be paid in accordance with this Condition 7.

7.4 Change of Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents provided that:

(a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London and the Registrar with a specified office in Ireland or in London; and

(b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

7.5 No Payment on non-Business Day

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 7.5, the expression **Presentation Date** means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

7.6 Partial Payment

If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the Register indicating the amount and date of such payment.

7.7 Payment of Interest

If interest is not paid in respect of a Note of any Class on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 7.5 (*No Payment on non-*

Business Day)) or by reason of non-compliance by the Noteholder with Condition 7.1 (*Payment of Interest and Principal*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 16 (*Notice to Noteholders*).

8. REDEMPTION

8.1 Redemption at Maturity

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on the Interest Payment Date falling in September 2047 (the **Final Maturity Date**).

8.2 Mandatory Redemption

(a) Prior to the service of an Enforcement Notice, each Class of Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Redemption Receipts available for such purpose in accordance with the Pre-Enforcement Redemption Priority of Payments which shall be applied in the following order of priority:

(i) to repay the Class A Notes until they are each repaid in full; and thereafter be applied

(ii) to repay the Class B Notes until they are each repaid in full; and thereafter to be applied

(iii) to repay the Class C Notes until they are each repaid in full; and thereafter to be applied

(iv) to repay the Class D Notes until they are each repaid in full; and thereafter to be applied

(v) to repay the Class Z Notes until they are each repaid in full; and thereafter to be applied

(vi) to repay the Subordinated Notes until they are each repaid in full.

(b) The Principal Amount Outstanding of each Class of Notes shall be redeemed on each Interest Payment Date in accordance with the relevant Priority of Payments. The principal amount to be redeemed in respect of a Class of Notes (the **Note Principal Payment**) on any Interest Payment Date prior to the service of an Enforcement Notice shall be the Available Redemption Receipts on such Interest Payment Date in accordance with the relevant Priority of Payments, as calculated on the Calculation Date immediately preceding such Interest Payment Date, divided by the number of Notes in the relevant Class then outstanding. With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth decimal point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of the Notes, is the denomination of such Notes. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default or manifest error) be final and binding on all persons.

(c) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on its Main Securities Market) the Irish Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 16 (*Notice to Noteholders*) not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Notes on any Interest Payment Date a notice to this effect will be given to the holders of the Notes.

8.3 Optional Redemption of the Notes in Full

(a) On giving not more than 60 nor less than 14 days' notice to the holders of the Notes in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, the Issuer may redeem all (but not some only) of the Notes on the immediately succeeding Interest Payment Date, provided that:

(i) on or prior to the Interest Payment Date on which it is intended for the Notes to be redeemed in full, no Enforcement Notice has been served;

(ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Interest Payment Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Notes on such Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Enforcement Redemption Priority of Payments (disregarding, for such purposes, paragraphs (f) and (g) of the Pre-Enforcement Redemption Priority of Payments); and

(iii) the date on which it is intended for the Notes to be redeemed in full falls on (A) the Interest Payment Date falling in June 2019 (the **Optional Redemption Date**) or on any Interest Payment Date thereafter or (B) any Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date.

(b) Any Note redeemed pursuant to Condition 8.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

8.4 Optional Redemption for Taxation or Other Reasons

If:

(a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax;

(b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any of the Notes; or

(c) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Swap Provider would be required to deduct or withhold from any payment under the Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature,

then the Issuer shall, if the same would avoid the effect of such relevant event described in sub-paragraph (a), (b) or (c) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed, provided that:

(i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the holders of the Rated Notes (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on (A) any confirmation made orally to the Issuer (in which case the Servicer on behalf of the Issuer shall confirm the same in writing to the Note Trustee) or in writing from each of the Rating Agencies that the then current ratings of the Rated Notes would not be adversely affected by such substitution or (B) if no such confirmation from the Rating Agencies is forthcoming and the Servicer on behalf of the Issuer has certified the same in writing to the Cash Manager and the Note Trustee (an **Issuer Certificate**), a written certification from the Cash Manager to the Note Trustee and the Security Trustee (a **Cash Manager Certificate**) that such proposed action (i) (while any Rated Notes remain outstanding) has been notified to the Rating Agencies, (ii) would not have an adverse impact on the Issuer's ability to make payment when due in respect of the Notes, (iii) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security and (iv) (while any of the Rated Notes remain outstanding) would not have an adverse effect on the rating of the Rated Notes) (upon which confirmation or certificate the Note Trustee shall be entitled to rely absolutely without liability to any person for so doing); and

(ii) such substitution would not require registration of any new security under U.S. securities laws or materially increase the disclosure requirements under U.S. law.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in sub-paragraph (a), (b) or (c) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice (or, in the case of an event described in sub-paragraph (b) above, such shorter period expiring on or before the latest date permitted by relevant law) to the Note Trustee and holders of the Notes in accordance with Condition 16 (*Notice to Noteholders*), redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that, prior to giving any such notice, the Issuer shall have provided to the Note Trustee:

(a) a certificate signed by two directors of the Issuer stating that (i) one or more of the circumstances referred to in sub-paragraph (a), (b) or (c) above prevail(s), (ii) setting out details of such circumstances and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution; and

(b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer, the Paying Agents and the Swap

Provider has or will become obliged to deduct or withhold amounts as a result of such change.

The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on each Class of the holders of the Rated Notes.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

8.5 Principal Amount Outstanding

The **Principal Amount Outstanding** of each Class of Notes on any date shall be, in each case, their original principal amount, in respect of the Class A Notes of £199,700,000, in respect of the Class B Notes of £10,000,000, in respect of the Class C Notes of £15,000,000, in respect of the Class D Notes of £5,400,000, in respect of the Class Z Notes of £4,900,000 and in respect of the Subordinated Notes of £6,903,000, in each case less the aggregate amount of all principal payments in respect of such Class of Notes which have been made since the Closing Date.

8.6 Notice of Redemption

Any such notice as is referred to in Condition 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*Optional Redemption 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 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*Optional Redemption 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.

8.7 No Purchase by the Issuer

The Issuer will not be permitted to purchase any of the Notes.

8.8 Cancellation on redemption in full

All Notes redeemed in full will be cancelled upon redemption. Notes cancelled upon redemption in full may not be resold or re-issued.

9. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, all present and future taxes, levies, imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*), the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any

Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

10. PRESCRIPTION

Claims in respect of principal and interest on the Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 10, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

11. EVENTS OF DEFAULT

11.1 Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (an **Enforcement Notice**) to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued (but unpaid) interest as provided in the Trust Deed (with a copy of such Enforcement Notice being sent simultaneously to the Originator, the Security Trustee, the Swap Provider, the Servicer, the Issuer Account Bank and the Cash Manager), if any of the following events (each, an **Event of Default**) occur:

(a) subject to Condition 18 (*Subordination by Deferral*), if default is made in the payment of any principal or interest due in respect of the Most Senior Class of Notes and the default continues for: (i) a period of five Business Days in the case of principal, or (ii) three Business Days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and the failure continues for a period of 15 days (or such longer period as the Note Trustee may permit) (except that in any case where the Note Trustee considers the failure to be incapable of remedy, then no continuation or notice as is aforementioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if any representation or warranty made by the Issuer under any Transaction Document is incorrect when made and the matters giving rise to such misrepresentation are not remedied within a period of 15 days (or such longer period as the Note Trustee may permit) (except that in any case where the Note Trustee considers the matters giving rise to such misrepresentation to be incapable of remedy, then no continuation or notice as is hereinafter mentioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

(d) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders; or

(e) if (i) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders, or (ii) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or (iii) is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or

(f) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with the court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order), unless initiated by the Issuer, is not discharged within 30 days; or

(g) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

11.2 General

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Condition 11.1 (*Notes*), all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed.

12. ENFORCEMENT

12.1 General

Each of the Note Trustee and the Security Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including these Conditions or the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of an Enforcement Notice, the Security Trustee may, at 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) the Note Trustee shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes; and

(b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

12.2 Preservation of Assets

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or the Residual Certificates, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the holders of the Notes (and all persons ranking in priority to the holders of the Notes), or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing: (i) to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the order of priority set out in the Post-Enforcement Priority of Payments); and (ii) once all the Noteholders (and all such higher ranking persons) have been repaid, to the remaining Secured Creditors (other than the Certificateholders) in the order of priority set out in the Post-Enforcement Priority of Payments; and (iii) once all the Noteholders and the Secured Creditors (other than the Certificateholders) have been repaid, to the Certificateholders. The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to in this Condition 12.2 without further enquiry and shall incur no liability to any person for so doing.

12.3 Limitations on Enforcement

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

12.4 Limited Recourse

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the **Charged Assets**). If:

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

(b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

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

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain due or to be paid in respect of the Notes (including, for the avoidance of doubt, payments of principal, premium (if any) or interest in respect of the Notes) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Notes and any further payment rights shall be extinguished.

13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

13.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

13.2 For the purposes of these Conditions, **Most Senior Class of Notes** means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding or, if there are no Rated Notes then outstanding, the Class Z Notes or, if there are no Rated Notes and no Class Z Notes then outstanding, the Subordinated Notes.

13.3 **Most Senior Class of Notes, Limitations on other Noteholders**

(a) Other than in relation to a Basic Terms Modification, which additionally require an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or Residual Certificates then in issue, as applicable (unless the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes and/or Residual Certificates, as applicable):

(i) subject to Conditions 13.3(a)(ii) and (iii), an Extraordinary Resolution passed at any meeting of the holders of the Most Senior Class of Notes shall be binding on such Noteholders and all other Classes of Noteholders and the Residual Certificates irrespective of the effect upon them;

(ii) subject to Condition 13.3(a)(iii), an Extraordinary Resolution passed at any meeting of a relevant Class of Noteholders shall be binding on (i) such Noteholders and all other Classes of Noteholders ranking junior to such Class of Noteholders in the Pre-Enforcement Redemption Priority of Payments (disregarding items (f) and (g) of the Pre-Enforcement Redemption Priority of Payments) in each case and (ii) the Residual Certificates, irrespective of the effect it has upon them; and

(iii) no Extraordinary Resolution of any Class of Noteholders shall take effect for any purpose while any of the Most Senior Class of Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes and in the case of the Residual Certificates all Notes ranking in priority thereto or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes and in the case of the Residual Certificates all Notes ranking in priority thereto,

provided that, in respect of any Extraordinary Resolution of a Class or Classes of Noteholders and/or the Certificateholders relating to any changes to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, the written consent of the Swap Provider is required.

(b) Other than in relation to Basic Terms Modifications and subject as provided in Conditions 13.3(a) and 13.4 (*Quorum*), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of:

(i) Notes of only one Class or the Residual Certificates only shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution in writing or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates;

(ii) Notes of more than one Class but does not give rise to a conflict of interest between the holders of such Classes of Notes shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes;

(iii) one or more Classes of Notes and/or the Residual Certificates and gives or may give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed only if passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and/or the Residual Certificates;

(iv) one or more Classes of Notes and/or the Residual Certificates but does not give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and/or the Residual Certificates; and

(v) two or more Classes of Notes and gives, or may give, rise to an actual or potential conflict of interest between the holders of such Classes of Notes, shall be deemed to have been duly passed only if passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected.

(c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and/or the holders of the Residual Certificates (if applicable).

(d) No Ordinary Resolution that is passed by the holders of any Class of Noteholders shall take effect for any purpose while any of the Most Senior Class of Notes remain outstanding unless it shall have been sanctioned by an Ordinary Resolution of the holders of the Most Senior Class of Notes or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

(e) No Ordinary Resolution that is passed by the holders of any Residual Certificates shall take effect for any purpose unless it shall have been sanctioned by an Ordinary Resolution of all Classes of Notes then outstanding or the Note Trustee is of the opinion it would not be materially prejudicial to the interests of any Class of Notes then outstanding.

13.4 Quorum

(a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.

(b) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for 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 such Class or Classes of Notes then outstanding.

(c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or, where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or, where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, or of the method of calculating the amounts payable in respect of the Residual Certificates (including, in relation to any Class of Notes or Residual Certificates, if any such modification is proposed for any Class of Notes ranking senior to such Class or the Residual Certificates in the Priorities of Payments), (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) any change to the definition of a Basic Terms Modification, or (viii) alter any of the provisions contained in this exception (each a **Basic Terms Modification**) shall be one or more persons holding or representing in the aggregate not less than (i) three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) three-quarters of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant affected Class of Noteholders and (if affected) the Certificateholders in accordance with the Residual Certificates Conditions.

(d) The quorum at any adjourned meeting (other than in relation to a Basic Terms Modification) should be one or more persons present and holding or representing any Principal Amount Outstanding of the Notes of such Class then outstanding or any of the Residual Certificates then in issue and (in respect of a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than (i) one-quarter of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or (ii) one-quarter of the Residual Certificates then in issue.

The terms of the Trust Deed and the Deed of Charge provide for the Noteholders to give directions in writing to the Note Trustee and the Security Trustee upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act.

13.5 Subject as provided in Condition 13.7, the Note Trustee or, as the case may be, the Security Trustee may at any time and from time to time, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties in making or sanctioning any modification:

(a) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee or, as the case may be, the

Security Trustee, will not be materially prejudicial to the interests of the Noteholders (or, if there are no Notes outstanding, the interests of the Certificateholders), or the interests of the Note Trustee or the Security Trustee; or

(b) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee or, as the case may be, the Security Trustee, such modification is of a formal, minor or technical nature or to correct a manifest error.

13.6 The Note Trustee and/or the Security Trustee, as applicable, may, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any time, but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, provided that the Note Trustee shall not exercise any powers conferred on it by this Condition 13.6 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes or by a direction under Condition 11 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

13.7 The Note Trustee with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) shall, without the consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, agree to any modification (and where applicable direct the Security Trustee to agree) to the Transaction Documents, the Conditions and/or the Residual Certificates Conditions that are requested in writing by the Issuer (acting in its own discretion or at the direction of any transaction party) in order to enable the Issuer to comply with any requirements which apply to it under European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure Regulation (**EMIR**), irrespective of whether such modifications are (i) materially prejudicial to the interests of the holders of any Class, the Certificateholders or any other Secured Creditor or (ii) in respect of a Basic Terms Modification (any such modification, an **EMIR Amendment**) and subject to receipt by the Note Trustee of a certificate of (i) the Issuer signed by two directors or (ii) the Servicer on behalf of the Issuer certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR. Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification pursuant to this sub-clause which (in the sole opinion of the Note Trustee and/or the Security Trustee) would have the effect of:

(a) exposing the Note Trustee (and/or the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or

(b) increasing the obligations or duties, or decreasing the protections of the Note Trustee (and/or the Security Trustee) in the Transaction Documents and/or the Conditions of the Notes,

provided that in respect of any modifications to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, (i) the prior written consent of the Swap Provider or (ii) written notification from the Issuer or the Servicer on behalf of the Issuer to the Note Trustee and the Security Trustee that Swap Provider consent is not needed, is required.

Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, when implementing any EMIR Amendment pursuant to this Condition 13.7, the Note Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person, but shall act and rely solely and without further investigation on any certificate provided to it by the Issuer pursuant to this Condition 13.7 and shall not be liable to any Noteholder or other Secured Creditor for so acting or relying.

13.8 Any such modification, waiver, authorisation or determination by the Note Trustee and/or the Security Trustee, as applicable, in accordance with these Conditions, Residual Certificates Conditions or Transaction Documents shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notice to Noteholders)*.

13.9 Any modification to the Transaction Documents and the Conditions shall be notified by the Issuer in writing to the Rating Agencies.

13.10 In connection with any such substitution of principal debtor referred to in Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, be materially prejudicial to the interests of the Noteholders or the other Secured Creditors.

13.11 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee and the Security Trustee may, among other things, have regard to whether the Rating Agencies have confirmed orally to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current ratings of the Rated Notes. 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 has confirmed that the then current ratings 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.

13.12 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall (A) have regard to the general interests of the Noteholders of such Class or Classes but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders and (B) subject to the more detailed provisions of the Trust Deed and the Deed of

Charge, as applicable, have regard to the interests of holders of each Class of Notes (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee where there is a conflict of interests between one or more Classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class or Classes of Notes ranking in priority to the other relevant Classes of Notes.

13.13 Other than in respect of any matter requiring an Extraordinary Resolution, Noteholders are required to vote by way of an Ordinary Resolution.

13.14 **Ordinary Resolution** means, in respect of the holders of any of the Classes of Notes:

(a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by a clear majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll;

(b) a resolution in writing signed by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or

(c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes.

13.15 **Extraordinary Resolution** means, in respect of the holders of any of the Classes of Notes:

(a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than two-thirds of Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll;

(b) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or

(c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes.

13.16 **Eligible Person** means any one of the following persons who shall be entitled to attend and vote at a meeting:

(a) a bearer of any Voting Certificate; and

(b) a proxy specified in any Block Voting Instruction.

13.17 **Voting Certificate** means an English language certificate issued by a Paying Agent in which it is stated:

(a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:

(i) the conclusion of the meeting specified in such Voting Certificate; and

(ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and

(b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.

13.18 **Block Voting Instruction** means an English language document issued by a Paying Agent in which:

(a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:

(i) the conclusion of the meeting specified in such Block Voting Instruction; and

(ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;

(b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;

(c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and

(d) one or more persons named in such Block Voting Instruction (each hereinafter called a **proxy**) is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:

(i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and

(ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

13.19 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Principal Paying Agent on behalf of the Issuer.

13.20 Issuer Substitution Condition

The Note Trustee may agree, subject to such amendment of these Conditions and of any of the Transaction Documents, and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Residual Certificates and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 5 (*Covenants*) (the **Issuer Substitution Condition**). In the case of a substitution pursuant to this Condition 13.20, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

14. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15. REPLACEMENT OF NOTES

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange requirements. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

16. NOTICE TO NOTEHOLDERS

16.1 Publication of Notice

(a) Subject to Condition 16.1(d), any notice to Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a **Relevant Screen**), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.

(b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.

(c) While the Notes are represented by Global Note, notices to Noteholders will be valid if published as described above or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

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

16.2 Note Trustee's Discretion to Select Alternative Method

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

17. REPLACEMENT NOTES

If the Issuer Substitution Condition is satisfied in accordance with these Terms and Conditions and the Trust Deed, the Issuer may, without the consent of the Noteholders, issue one or more classes of replacement notes (**Replacement Notes**) to replace one or more Classes of Notes, each class of which shall have terms and conditions which may differ from the terms and conditions of the Class of Notes which it replaces.

18. SUBORDINATION BY DEFERRAL

18.1 Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 18, include any interest previously deferred under this Condition 18.1 and accrued interest thereon) payable in respect of the Notes other than the Most Senior Class of Notes after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the **Deferred Interest**) in respect of the Notes other than the Most Senior Class of Notes to the extent only of any insufficiency of funds.

18.2 General

Any amounts of Deferred Interest in respect of a Class of Notes shall accrue interest (**Additional Interest**) at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 18.1 (*Interest*) applies) or on such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with these Conditions.

18.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on a Class of Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 18, the Issuer will give notice thereof to the relevant Class of Noteholders, as appropriate, in accordance with Condition 16 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 18 will not constitute an Event of Default. The provisions of this Condition 18 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or, are required to be redeemed in full, at which time all deferred interest and accrued interest thereon shall become due and payable.

19. NON-RESPONSIVE RATING AGENCY

(a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Rated Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security Trustee) from the relevant Rating Agencies that the then current ratings of the Rated Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a **Rating Agency Confirmation**).

(b) If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee, as applicable) and:

(i) (A) one Rating Agency (such Rating Agency, a **Non-Responsive Rating Agency**) indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and

(ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by a director certifying and confirming that each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred.

20. JURISDICTION AND GOVERNING LAW

(a) The Courts of England (the **Courts**) are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.

(b) The Transaction Documents, the Notes, the Residual Certificates and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law except that, to the extent that the provisions of the Mortgage Sale Agreement, the Deed of Charge and any security documents supplemental thereto relate to the Scottish Loans, such provisions and documents shall be governed by Scots law.

21. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

The following are the terms and conditions of the Residual Certificates in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below)

1. GENERAL

The 100 residual certificates (the **Residual Certificates**) of Precise Mortgage Funding 2014-1 plc (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on 22 July 2014 (the **Closing Date**) and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the registered holders for the time being of the Residual Certificates (the **Certificateholders**) (in such capacity, the **Note Trustee**). Any reference in these residual certificates terms and conditions (the **Residual Certificates Conditions**) to a **Class** of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes or the Subordinated Notes, as the case may be, or to the respective holders thereof. The security for the Residual Certificates is constituted by a deed of charge and assignment (the **Deed of Charge**) dated on the Closing Date and made between, among others, 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 or prior to the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services Limited, acting through its UK Branch as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agent**), Elavon Financial Services Limited as registrar (in such capacity, the **Registrar**) and Elavon Financial Services Limited, acting through its UK Branch as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of amounts in respect of the Residual Certificates.

The statements in these Residual Certificates Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and a master definitions and construction schedule (the **Master Definitions and Construction Schedule**) entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

2. INTERPRETATION

2.1 Definitions

Capitalised terms not otherwise defined in these Residual Certificates Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

2.2 Interpretation

These Residual Certificates Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

3. FORM AND TITLE

3.1 Form and Denomination

Each Residual Certificate will initially be represented by a global residual certificate in registered form (a **Global Residual Certificate**).

For so long as any of the Residual Certificates are represented by a Global Residual Certificate, transfers and exchanges of beneficial interests in such Global Residual Certificate and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as appropriate. The Global Residual Certificate will be deposited with and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg.

A Global Residual Certificate will be exchanged for the relevant Residual Certificate in definitive registered form (such exchanged Global Residual Certificate in definitive registered form, the **Definitive Residual Certificates**) only if either of the following applies:

(a) both Euroclear and Clearstream, Luxembourg:

(i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or

(ii) announce an intention permanently to cease business or to cease to make their book-entry systems available for settlement of beneficial interests in the Global Residual Certificate and do in fact do either of those things,

and in either case no alternative clearing system satisfactory to the Note Trustee is available; or

(b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations which become effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Residual Certificates which would not be required were the relevant Residual Certificates in definitive registered form.

If Definitive Residual Certificates are issued in respect of Residual Certificates originally represented by a Global Residual Certificate, the beneficial interests represented by such Global Residual Certificate shall be exchanged by the Issuer for the relevant Residual Certificates in registered definitive form.

Definitive Residual Certificates will be serially numbered and will be issued in registered form only.

References to **Residual Certificates** in these Residual Certificates Conditions shall include the Global Residual Certificate and the Definitive Residual Certificates.

3.2 Title

Title to the Global Residual Certificate shall pass by and upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Residual Certificate may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Residual Certificate regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to Definitive Residual Certificates shall only pass by and upon registration of the transfer in the Register.

Definitive Residual Certificates may be transferred upon the surrender of the relevant Definitive Residual Certificate, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of Definitive Residual Certificates are subject to any restrictions on transfer set out on the Definitive Residual Certificates and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Residual Certificate to be issued upon transfer of such Definitive Residual Certificate will, within five Business Days of receipt and surrender of such Definitive Residual Certificate (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Residual Certificate to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Residual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

4. STATUS AND SECURITY

4.1 Status of the Residual Certificates

The Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 11.3 (*Limited Recourse*)) unconditional obligations of the Issuer, and represent the Issuer's obligation to pay deferred consideration for its purchase of the Initial Portfolio and the Further Portfolio, consisting of the Residual Payments. The Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payments on the Residual Certificates. Residual Payments will be made subject to and in accordance with the Pre-Enforcement Revenue Priority of Payments, Pre-Enforcement Redemption Priority of Payments and Post-Enforcement Priority of Payments.

The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard (except as expressly provided otherwise) to the interests of the Noteholders for so long as there are any Notes outstanding.

4.2 Security

The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Certificateholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.

The Certificateholders 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.

5. ISSUER COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of these Residual Certificates Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Residual Certificate remains outstanding:

(a) **Negative pledge**: create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;

(b) **Restrictions on activities**: (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;

(c) **Disposal of assets**: assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of, its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;

(d) **Equitable and Beneficial Interest**: permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(e) **Dividends or distributions**: pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the Issuer's memorandum and articles of association and with applicable laws or issue any further shares;

(f) **Indebtedness**: incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;

(g) **Merger**: consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;

(h) **No modification or waiver**: permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

(i) **Bank accounts**: have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;

(j) **Purchase Residual Certificates**: purchase or otherwise acquire any Residual Certificates; or

(k) **U.S. activities**: engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

6. RESIDUAL PAYMENTS

6.1 Right to Residual Payments

Each Residual Certificate represents a *pro rata* entitlement to receive Residual Payments by way of deferred consideration for the purchase by the Issuer of the Initial Portfolio and the Further Portfolio.

6.2 Payment

A Residual Payment may be payable in respect of the Residual Certificates on each Interest Payment Date, other than an Interest Payment Date falling within a Determination Period and each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments.

(a) **Determination Period** has the meaning set out in Condition 6.9 (*Determinations and Reconciliation*).

(b) **Interest Payment Date** means each date determined as an Interest Payment Date in accordance with the Conditions of the Notes.

(c) **Residual Payment** means:

(i) prior to the delivery of an Enforcement Notice, in respect of each Interest Payment Date, the sum of:

(A) the amount (if any) by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (u) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date; and

(B) the amount (if any) by which Available Redemption Receipts exceeds the amounts required to satisfy items (a) to (i) of the Pre-Enforcement Redemption Priority of Payments on that Interest Payment Date; and

(ii) following the delivery of an Enforcement Notice, in respect of each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Enforcement Priority of Payments exceeds the amounts required to satisfy items (a) to (k) of the Post-Enforcement Priority of Payments on that date.

(d) **Residual Payment Amount** means, for a Residual Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the Residual Payment for that date, divided by the number of Residual Certificates then in issue.

6.3 Determination of Residual Payment

The Cash Manager shall on each Calculation Date determine the Residual Payment payable on the immediately following Interest Payment Date and the Residual Payment Amount payable in respect of each Residual Certificate on such Interest Payment Date.

6.4 Publication of Residual Payment and Residual Payment Amount

The Cash Manager shall cause the Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*) as soon as possible after their determination and in no event later than two Business Days prior to the immediately succeeding Interest Payment Date.

6.5 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Cash Manager defaults at any time in its obligation to determine the Residual Payment and Residual Payment Amount (if any) in accordance with the above provisions and the Note Trustee has been notified of this default, determine or cause to be determined the Residual Payment and Residual Payment Amount (if any), in the manner provided in this Residual Certificates Condition 6.5. Any such determination shall be deemed to be a determination made by the Cash Manager.

6.6 Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Residual Certificates Condition 6.6, whether by the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Registrar, the Paying Agents and all Certificateholders and (in the absence of wilful default, gross negligence, fraud or manifest error) no liability to the Issuer or the Certificateholders shall attach to the Cash Manager, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Residual Certificates Condition 6.6.

6.7 Termination of Payments

Following the redemption in full of the Notes, the realisation of the Charged Assets and payment of the proceeds of realisation in accordance with the applicable Priority of Payments, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be redeemed and cancelled.

7. PAYMENTS

7.1 Payment of Residual Payment Amounts

Subject to paragraph 2 of Residual Certificates Condition 3.1 (*Form and Denomination*), payments of Residual Payment Amounts shall be made by:

(a) (other than in the case of final cancellation) Sterling cheque; or

(b) (other than in the case of final cancellation) upon application by the relevant Certificateholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London; and

(c) (in the case of final cancellation) Sterling cheque upon surrender (or, in the case of part-payment only, endorsement) of the relevant Global Residual Certificate or Definitive Residual Certificate (as the case may be) at the specified office of any Paying Agent.

7.2 Laws and Regulations

Payments of any Residual Payment Amounts are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Certificateholders will not be charged commissions or expenses on payments.

7.3 Change of Paying Agents

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents, provided that:

(a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Ireland or in London; and

(b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Certificateholders in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*) and will notify the Rating Agencies of such change or addition.

7.4 No Payment on non-Business Day

If the date for payment of any amount in respect of a Residual Certificate is not a Presentation Date, Certificateholders shall not be entitled to payment until the next following Presentation Date and shall not be entitled to interest or other payment in respect of such delay. In this Residual Certificates Condition 7.4, the expression **Presentation Date** means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

8. TAXATION

All payments of Residual Payment Amounts by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, all present and future taxes, levies, imports, duties, fees, deductions, withholding or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction.

9. PRESCRIPTION

Claims in respect of Residual Payment Amounts will be prescribed after ten years from the Relevant Date in respect of the relevant payment.

In this Residual Certificates Condition 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 Certificateholders in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).

10. EVENTS OF DEFAULT

10.1 Residual Certificates

The Note Trustee at its absolute discretion may, and, provided all of the Notes have been redeemed in full, if so directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number or if so directed by an Extraordinary Resolution of the Certificateholders shall (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed), give a notice (an **Enforcement Notice**) to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable in any of the following events (each, an **Event of Default**) with a copy of such Enforcement Notice being sent simultaneously to the Originator, the Security Trustee, the Swap Provider, the Servicer, the Issuer Account Bank and the Cash Manager:

(a) if default is made in the payment of any amount due in respect of the Residual Certificates and the default continues for a period of 14 Business Days; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Residual Certificates Conditions or any Transaction Document to which it is a party and the failure continues for a period of 30 days (following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied (or such longer period as the Note Trustee may permit)), except in any case where the Note Trustee considers the failure to be incapable of remedy, in which case no continuation or notice as is aforementioned will be required; or

(c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Certificateholders; or

(d) if (i) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Certificateholders, or (ii) the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or (iii) is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or

(e) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the Issuer, is not discharged or within 30 days; or

(f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

10.2 General

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Residual Certificates Condition 10.1 (*Residual Certificates*), any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable.

11. ENFORCEMENT

11.1 General

Each of the Note Trustee and the Security Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Residual Certificates or the Trust Deed (including these Residual Certificates 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 an Enforcement Notice, the Security Trustee may, at 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, following redemption of the Notes in full:

(a) the Security Trustee shall have been so directed by an Extraordinary Resolution of the Certificateholders or directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number; and

(b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

No Certificateholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

11.2 Limitations on Enforcement

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

11.3 Limited Recourse

Notwithstanding any other Residual Certificates Condition or any provision of any Transaction Document, all obligations of the Issuer to the Certificateholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the **Charged Assets**). If:

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

(b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

(c) there are insufficient amounts available from the Charged Assets to pay, in accordance with the provisions of the Deed of Charge, any further amounts under the Residual Certificates (including payments of Residual Payment Amounts),

then the Certificateholders shall have no further claim against the Issuer in respect of any further amounts due or to be paid in respect of the Residual Certificates (including, for the avoidance of doubt, payments of Residual Payment Amounts in respect of the Residual Certificates) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Residual Certificates and any further payment rights shall be extinguished.

12. MEETINGS OF CERTIFICATEHOLDERS AND 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, and the Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Residual Certificates Conditions, the Conditions or the provisions of any of the Transaction Documents.

12.2 For the purposes of these Residual Certificates Conditions, **Most Senior Class of Notes** means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes then outstanding or, if there are no Rated Notes then outstanding, the Class Z Notes or, if there are no Rated Notes and no Class Z Notes then outstanding, the Subordinated Notes.

12.3 **Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders**

(a) Other than in relation to a Basic Terms Modification, which additionally require an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or Residual Certificates then in issue, as applicable (unless the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of each affected Class or Classes of Notes and/or Residual Certificates, as applicable):

(i) subject to Residual Certificates Conditions 12.3(a)(ii) and (iii), an Extraordinary Resolution passed at any meeting of the holders of the Most Senior Class of Notes shall be binding on all other Classes of Noteholders and the Residual Certificates irrespective of the effect it has upon them;

(ii) subject to Residual Certificates Condition 12.3(a)(iii), an Extraordinary Resolution passed at any meeting of a relevant Class of Noteholders shall be binding on (i) all other Classes of

Noteholders ranking junior to such Class of Noteholders in the Pre-Enforcement Redemption Priority of Payments (disregarding items (f) and (g) of the Pre-Enforcement Redemption Priority of Payments) in each case and (ii) the Residual Certificates, irrespective of the effect it has upon them; and

(iii) no Extraordinary Resolution of any Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class of Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes,

provided that, in respect of any Extraordinary Resolution of a Class or Classes of Notes and/or the Certificateholders relating to any changes to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, the written consent of the Swap Provider is required.

(b) Other than in relation to Basic Terms Modifications and subject as provided in Residual Certificates Conditions 12.3(a) and 12.4 (*Quorum*), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of:

(i) Notes of only one Class or the Residual Certificates only, shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates;

(ii) Notes of more than one Class but does not give rise to a conflict of interest between the holders of such Notes of more than one Class, shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of the Notes of such Class;

(iii) one or more Classes of Notes and the Residual Certificates and gives, or may give rise to an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed only if passed at separate meetings (or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and the Residual Certificates;

(iv) one or more Classes of Notes and/or the Residual Certificates but does not give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and/or the Residual Certificates; and

(v) two or more Classes of Notes and gives, or may give, rise to an actual or potential conflict of interest between the holders of such Classes of Notes, shall be deemed to have been duly passed only if passed at separate meetings (or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected.

(c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and the holders of the Residual Certificates (if applicable).

(d) No Ordinary Resolution that is passed by the holders of the Residual Certificates shall take effect for any purpose while any of the Notes remain outstanding unless it shall have been sanctioned by an Ordinary Resolution of the holders of the Most Senior Class of Notes and all other Classes of Notes then outstanding, or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes or any other Classes of Notes then outstanding.

12.4 Quorum

(a) Subject as provided below, the quorum at any meeting of Certificateholders for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the Residual Certificates then in issue.

(b) Subject as provided below, the quorum at any meeting of Certificateholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the Residual Certificates then in issue.

(c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of the Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes or of the method of calculating the amounts payable in respect of the Residual Certificates (including, if any such modification is proposed for any Class of Notes), (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) any change to the definition of Basic Terms Modification, or (viii) alter any of the provisions contained in this exception (each a **Basic Terms Modification**), shall be one or more persons holding or representing in the aggregate not less than (i) three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) three-quarters of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant affected Class of Noteholders and (if affected) by a meeting of the Certificateholders.

(d) The quorum at any adjourned meeting (other than in relation to a Basic Terms Modification) whether passing an Ordinary Resolution or an Extraordinary Resolution shall be one or more persons present and holding or representing any Principal Amount Outstanding of the Notes of such Class then outstanding or any of the Residual Certificates then in issue and (in respect of a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than (i) one-quarter of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or (ii) one-quarter of the Residual Certificates then in issue.

12.5 Subject as provided in Residual Certificates Condition 12.7, the Note Trustee or, as the case may be, the Security Trustee may at any time and from time to time, only with the written consent of the

Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties in making or sanctioning any modification:

(a) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee (acting in accordance with the Trust Deed) or, as the case may be, the Security Trustee (acting on the directions of the Note Trustee) will not be materially prejudicial to the interests of the Noteholders (or if there are no Notes outstanding, the interests of the Certificateholders) or the interests of the Note Trustee or the Security Trustee; or

(b) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee (acting in accordance with the Trust Deed) or, as the case may be, the Security Trustee (or if there are no Notes then outstanding and no Residual Certificates then in issue, all the Secured Creditors) such modification is of a formal, minor or technical nature or to correct a manifest error.

12.6 The Note Trustee and/or the Security Trustee, as applicable, may, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any time, but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, provided that the Note Trustee shall not exercise any powers conferred on it by this Residual Certificates Condition 12.6 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes or by a direction under Residual Certificates Condition 10 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

12.7 The Note Trustee with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) shall, without the consent or sanction of the Certificateholders or any of the other Secured Creditors, agree to any modification (and, where applicable, direct the Security Trustee to agree) to the Transaction Documents and/or the Residual Certificates Conditions that are requested in writing by the Issuer (acting in its own discretion or at the direction of any transaction party) in order to enable the Issuer to comply with any requirements which apply to it under European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure Regulation (**EMIR**), irrespective of whether such modifications are (i) materially prejudicial to the interests of the holders of any Class, the Certificateholders or any other Secured Creditor or (ii) in respect of a Basic Terms Modification (any such modification, an **EMIR Amendment**) and subject to receipt by the Note Trustee of a certificate of (i) the Issuer signed by two directors or (ii) the Servicer on behalf of the Issuer, certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR. Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification pursuant to this sub-clause which (in the sole opinion of the Note Trustee and/or the Security Trustee) would have the effect of:

(a) exposing the Note Trustee (and/or the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or

(b) increasing the obligations or duties, or decreasing the protections of the Note Trustee (and/or the Security Trustee) in the Transaction Documents and/or the Residual Certificates Conditions,

provided that in respect of any modifications to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, (i) the prior written consent of the Swap Provider or (ii) written notification from the Issuer or the Servicer on behalf of the Issuer to the Note Trustee and the Security Trustee that Swap Provider consent is not needed, is required.

Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, when implementing any EMIR Amendment pursuant to this Residual Certificates Condition 12.7, the Note Trustee shall not consider the interests of the Certificateholders, any other Secured Creditor or any other person, but shall act and rely solely and without further investigation on any certificate provided to it by the Issuer pursuant to this Residual Certificates Condition 12.7 and shall not be liable to any Certificateholder or other Secured Creditor for so acting or relying.

12.8 Any such modification, waiver, authorisation or determination by the Note Trustee and/or the Security Trustee, as applicable, in accordance with the Conditions, these Residual Certificates Conditions or the Transaction Documents shall be binding on the Certificateholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Certificateholders as soon as practicable thereafter in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).

12.9 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.

12.10 In connection with any such substitution of principal debtor referred to in Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Certificateholders or the other Secured Creditors, to a change of the laws governing the Residual Certificates, these Residual Certificates Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee be materially prejudicial to the interests of the Certificateholders or the other Secured Creditors.

12.11 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Residual Certificates Conditions or any of the Transaction Documents (including in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Certificateholders, it shall have regard to the general interests of the Certificateholders but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Certificateholders be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Certificateholders.

12.12 Other than in respect of any matter requiring an Extraordinary Resolution, Certificateholders are required to vote by way of an Ordinary Resolution.

12.13 **Ordinary Resolution** means:

(a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by a clear majority of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll;

(b) a resolution in writing signed by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then in issue, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders; or

(c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then in issue.

12.14 **Extraordinary Resolution** means:

(a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by a majority consisting of not less than two-thirds of the Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll;

(b) a resolution in writing signed by or on behalf of the Certificateholders of not less than three-quarters in number of the holders of the Residual Certificates, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Certificateholders; or

(c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than three-quarters in number of the holders of the Residual Certificates then in issue.

12.15 **Eligible Person** means any one of the following persons who shall be entitled to attend and vote at a meeting:

(a) a bearer of any Voting Certificate; and

(b) a proxy specified in any Block Voting Instruction.

12.16 **Voting Certificate** means an English language certificate issued by a Paying Agent in which it is stated:

(a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:

(i) the conclusion of the meeting specified in such Voting Certificate; and

(ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and

(b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.

12.17 **Block Voting Instruction** means an English language document issued by a Paying Agent in which:

(a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:

(i) the conclusion of the meeting specified in such Block Voting Instruction; and

(ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;

(b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;

(c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and

(d) one or more persons named in such Block Voting Instruction (each hereinafter called a **proxy**) is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:

(i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and

(ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

12.18 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Principal Paying Agent on behalf of the Issuer.

12.19 Issuer Substitution Condition

The Note Trustee may agree, subject to such amendment of these Residual Certificates Conditions and of any of the Transaction Documents, and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Certificateholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust

Deed, the Notes and the Residual Certificates and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Residual Certificates are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Residual Certificates Condition 5 (*Issuer Covenants*) (the **Issuer Substitution Condition**). In the case of a substitution pursuant to this Residual Certificates Condition 12.19, the Note Trustee may in its absolute discretion agree, without the consent of the Certificateholders, to a change in law governing the Residual Certificates and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Certificateholders.

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 prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. REPLACEMENT OF RESIDUAL CERTIFICATES

If any Residual Certificate is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws. Replacement of any mutilated, defaced, lost, stolen or destroyed Residual Certificate will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Residual Certificate must be surrendered before a new one will be issued.

15. NOTICE TO CERTIFICATEHOLDERS

15.1 Publication of Notice

While the Residual Certificates are represented by a Global Residual Certificate, notices to Certificateholders will be valid if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Certificateholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid, shall be deemed to have been given on the day of such delivery.

While the Residual Certificates are represented by Definitive Residual Certificates, the Note Trustee shall be at liberty to sanction any method of giving notice to the Certificateholders if, in its opinion, such method is reasonable having regard to market practice then prevailing and provided that notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall deem appropriate.

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 Certificateholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the quotation systems on or by which the Residual Certificates are then quoted and/or traded and provided that notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall require.

16. REPLACEMENT RESIDUAL CERTIFICATES

If the Issuer Substitution Condition is satisfied, the Issuer may, without the consent of the Certificateholders, issue replacement residual certificates to replace the Residual Certificates, which shall have terms and conditions which may differ from the terms and conditions of the Residual Certificates which it replaces.

17. JURISDICTION AND GOVERNING LAW

(a) The Courts of England (the **Courts**) are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.

(b) The Transaction Documents, the Notes, the Residual Certificates and these Residual Certificates Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law except that, to the extent that the provisions of the Mortgage Sale Agreement, the Deed of Charge and any security documents supplemental thereto relate to Scottish Loans, such provisions and documents shall be governed by Scots law.

18. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Residual Certificates or these Residual Certificates Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

TAXATION

United Kingdom Taxation

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs (**HMRC**) practice relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer), to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders and Certificateholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders or Certificateholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek professional advice.*

Interest on the Notes

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Main Securities Market of the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes 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 to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

EU Savings Directive

Under the EU Savings Directive, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

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

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. 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 EU Savings Directive.

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

Foreign Account Tax Compliance Act

FATCA imposes 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 may be classified as an FFI.

The new withholding regime will be phased in beginning 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 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes or Residual Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payments" are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes or Residual Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the **Model 1 IGA** and **Model 2 IGA** (each a **Model IGA**) released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being a **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 **U.S.-UK IGA**) based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the U.S.-UK IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes or Residual Certificates are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes or Residual Certificates is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA, or (ii) an investor is a Recalcitrant Holder.

While the Notes and Residual Certificates are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under or in respect of the Notes or Residual Certificates by the Issuer, any paying agent or the Common Depositary, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes or the Residual Certificates. The documentation expressly contemplates the possibility that the Notes or Residual Certificates may convert into definitive form and therefore that they may cease to be held through a clearing system. If this were to happen then, depending on the circumstances, a non-FATCA-compliant holder could be subject to FATCA Withholding. However, conversion into Registered Definitive Notes or Residual Certificates is only anticipated to occur in remote circumstances.

Notwithstanding this, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA Withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. The Issuer's obligations under the Notes and the Residual Certificates are discharged once it has paid the clearing systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the 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 the U.S.-UK IGA, all of which are subject to change or may be implemented in a materially different form.

SUBSCRIPTION AND SALE

Credit Suisse Securities (Europe) Limited (the **Arranger**), Credit Suisse Securities (Europe) Limited and Deutsche Bank AG, London Branch (the **Joint Class A Lead Managers**), Credit Suisse Securities (Europe) Limited (the **Sole Mezzanine Lead Manager** and, together with the Joint Class A Lead Managers, the **Lead Managers**) and the Originator have, pursuant to a subscription agreement dated 18 July 2014 between the Seller, the Originator, the Arranger, the Lead Managers and the Issuer (the **Subscription Agreement**), agreed with the Issuer (subject to certain conditions) to subscribe and pay for:

(a) in the case of the Joint Class A Lead Managers, £199,700,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes;

(b) in the case of the Sole Mezzanine Lead Manager:

  (i) £10,000,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes;

  (ii) £15,000,000 of the Class C Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class C Notes; and

  (iii) £5,400,000 of the Class D Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class D Notes;

(c) in the case of the Originator:

  (i) the Class Z Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z Notes; and

  (ii) the Subordinated Notes at the issue price of 100.956106040852 per cent. of the aggregate principal amount of the Subordinated Notes,

respectively as at the Closing Date.

The Issuer has agreed to indemnify the Originator, the Arranger and the Lead Managers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes and the Residual Certificates.

Pursuant to the Subscription Agreement, the Originator will undertake to the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager and the Arranger to retain a material net economic interest of not less than 5 per cent. in the securitisation pursuant to Article 405 of Part Five and Article 51 of the AIFM Regulation and to comply with the disclosure obligations imposed on sponsor and originator credit institutions under Article 409 of Part Five, subject always to any requirement of law, provided that the Originator will not be in breach of such undertaking if it fails to so comply due to events, actions or circumstances beyond its control. As at the Closing Date, such retention requirement will be satisfied by the Originator holding the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors as required by the text of each of Article 405 of Part Five and Article 51 of the AIFM Regulation (comprising the Class Z Notes and the Subordinated Notes). Any change to the manner in which such interest is held will be notified to the Noteholders.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

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 Class A Lead Managers, the Sole Mezzanine Lead Manager, the Originator and the Seller has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. See "*Transfer Restrictions and Investor Representations*" below.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Class A Lead Managers , Sole Mezzanine Lead Manager, the Originator and the Seller has represented to and agreed with the Issuer that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager, the Originator and the Seller has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA, having applied for the admission of the Notes to the Official List of the Irish Stock Exchange and admission of the Notes to trading on its Main Securities Market, no further action has been or will be taken in any jurisdiction by the Lead Managers, the Originator and the Seller 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.

Ireland

Each of the Joint Class A Lead Managers and the Sole Mezzanine Lead Manager represents, warrants and undertakes to the Issuer that:

(a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulation 2007

(Nos. 1 to 3) of Ireland, including Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998 (as amended);

(b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 1963 to 2013 (as amended), the Irish Central Bank Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(c) it will not underwrite the issue of, or place, or do anything in Ireland with respect to the Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations, 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005, by the Central Bank of Ireland; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland with respect to the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations, 2005 (as amended) and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act, 2005 by the Central Bank of Ireland.

General

Other than admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on its Main Securities Market, no action has been taken by the Issuer, the Arranger, the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager, the Originator or the Seller that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Issuer, the Arranger, the Joint Class A Lead Managers, the Sole Mezzanine Lead Manager, the Originator and the Seller has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales

The Notes (including interests therein represented by a Global Note, a Registered Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

(a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States, provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;

(b) unless the relevant legend set out below has been removed from the Notes, such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and

(c) the Issuer, the Registrar, the Arranger and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on the Irish Stock Exchange's Main Securities Market will be granted on or around 22 July 2014.

2. None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware) since 9 May 2014 (being the date of incorporation of each of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).

3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2014. So long as the Notes are admitted to trading on the Irish Stock Exchange's Main Securities Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.

4. For so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on the Irish Stock Exchange's Main Securities Market, the Issuer shall maintain a Paying Agent in the United Kingdom.

5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.

6. Since 9 May 2014 (being the date of incorporation of each of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.

7. The issue of the Notes and the Residual Certificates was authorised pursuant to a resolution of the board of directors of the Issuer passed on 11 July 2014.

8. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

Class of Notes/Residual Certificates	**ISIN**	**Common Code**
Class A Notes	XS1082039865	108203986
Class B Notes	XS1082040103	108204010
Class C Notes	XS1082040798	108204079
Class D Notes	XS1082041259	108204125
Class Z Notes	XS1082041689	108204168
Subordinated Notes	XS1082041929	108204192
Residual Certificates	XS1082571727	108257172

9. From the date of this Prospectus and for so long as the Notes are listed on the Irish Stock Exchange and admitted to trading on its Main Securities Market, physical copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of (a) below, at the specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):

   (a) the memorandum and articles of association of each of the Issuer and Holdings;

   (b) physical copies of the following documents:

      (i) the Agency Agreement;

      (ii) the Deed of Charge;

      (iii) the Cash Management Agreement;

      (iv) the Master Definitions and Construction Schedule;

      (v) the Mortgage Sale Agreement;

      (vi) the Corporate Services Agreement;

      (vii) the Bank Account Agreement;

      (viii) the DD Collection Account Declaration of Trust and Account Bank Deed;

      (ix) the Non-DD 2014-1 Collection Account Declaration of Trust;

      (x) the Non-DD Collection Account Declaration of Trust;

      (xi) the Non-DD Collection Account Accession Undertaking;

      (xii) the Servicing Agreement;

      (xiii) the Share Trust Deed;

      (xiv) the Trust Deed; and

      (xv) the Swap Agreement.

10. The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the website at usbank.com/abs. Investor Reports will also be made available to the Seller and the Rating Agencies. In addition, information on the Loans in the Portfolio will be published on the website at usbank.com/abs. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.

11. The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

12. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market of the Irish Stock Exchange.

INDEX OF TERMS

ISSUER
Precise Mortgage Funding 2014-1 plc
35 Great St. Helen's
London EC3A 6AP

SELLER
Buttermere plc
35 Great St. Helen's
London EC3A 6AP

SERVICER
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2 Charter Court, Broadlands
Wolverhampton WV10 6TD

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London EC2N 1AR

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Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

JOINT LEAD MANAGER
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