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

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PRECISE MORTGAGE FUNDING 2015-3R PLC

(Incorporated in England and Wales with limited liability, registered number 9769500)

Class of Notes	Initial Principal Amount	Issue Price	Reference Rate	Margin	Ratings (Fitch/Moody's)	Final Maturity Date
Class A Notes	£429,800,000	100%	Three Month LIBOR*	0.90% per annum	AAAsf / Aaa(sf)	The Interest Payment Date falling in November 2050
Class B Notes	£27,900,000	100%	Three Month LIBOR*	2.50% per annum	AAAsf / Aa2(sf)	The Interest Payment Date falling in November 2050
Class Z Notes	£60,142,000	100%	0.90% per annum	N/A	Not Rated	The Interest Payment Date falling in November 2050
Subordinated Notes	£13,274,000	100%	0.90% per annum	N/A	Not Rated	The Interest Payment Date falling in November 2050
Residual Certificates	N/A	N/A	N/A	N/A	Not Rated	N/A

The Optional Redemption Date is the Interest Payment Date falling in November 2020.

From the Collection Period Start Date immediately preceding the Optional Redemption Date, the Option Holder has the right to exercise the Call Option in relation to the Portfolio, which would result in an early redemption of the Notes.

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The date of this Prospectus is 6 November 2015

* Three month LIBOR will be set on each Quarterly Interest Determination Date. The first Quarterly Interest Determination Date will be 12 December 2015.

Issue Date	The Issuer will issue the Notes in the classes set out above and the Residual Certificates on or about 6 November 2015 (the " Closing Date ").
Standalone/ programme issuance	Standalone issuance.
Listing	<p>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 and the Class B 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.</p> <p>The Residual Certificates will not be admitted to the Official List nor will they be admitted to trading on the Main Securities Market, and this Prospectus is not an offering document for potential investors in the Residual Certificates.</p>
Underlying Assets	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and revenue received from a portfolio comprising mortgage loans and their related security originated by CCFS under its trading name of Precise Mortgages, secured over residential properties located in England, Wales and Scotland and sold by CCFS in its capacity as seller (the "Seller") to the Issuer either (i) on the Closing Date (the "Initial Portfolio"), or (ii) on any Business Day during the Revolving Period (as defined below) which the Seller notifies the Issuer to be a further loan sale date (a "Further Loan Sale Date", and the Loans sold on each Further Loan Sale Date (if any), the "Further Loans", and any portfolio of Further Loans and their Related Security, the "Further Portfolio").</p> <p>See the sections entitled "<i>Transaction Overview – Portfolio and Servicing</i>", "<i>The Loans</i>" and "<i>Characteristics of the Provisional Portfolio</i>" for further details.</p>

Credit Enhancement

Credit enhancement of the Notes is provided in the following manner:

- in relation to any Class of Notes (other than the Class Z Notes and the Subordinated 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 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 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 and the Residual Certificates;
- in respect of the Class A Notes and the Class B Notes only, the Principal Addition Amounts (as defined herein) to meet a Senior Expenses Deficit (as defined herein);
- 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.

Redemption Provisions

Information on any mandatory redemption of the Notes is summarised in the section entitled ("*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 Moody's Investors Service Limited ("**Moody's**") (each a "**Rating Agency**" and together, the "**Rating Agencies**"). As of the date of this prospectus (the "**Prospectus**"), each of the Rating Agencies is a credit rating agency established in

the European Union (the "EU") and is registered under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**").

Credit Ratings The ratings assigned to the Rated Notes by both Fitch and Moody's address, *inter alia* (a) the likelihood of full and timely payment to the holders of the Class A Notes, the Class B Notes, of all payments of interest on each Interest Payment Date and (b) the likelihood of ultimate payment to the holders of the Rated Notes (the "**Rated Noteholders**") of principal in relation to the Rated Notes on or prior to the Final Maturity Date. The ratings assigned to the Rated Notes by Moody's also address, *inter alia*, the expected loss to a Noteholder in proportion to the Principal Amount Outstanding on the Closing Date of the Class of Notes held by such Noteholder on the Final Maturity Date.

Ratings are expected to be assigned to each class of Rated Notes on or before the Closing Date. The assignment of a rating to each class of Rated Notes by any Rating Agency is not a recommendation to invest in the Rated Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

The Class Z Notes, the Subordinated Notes and the Residual Certificates will not be rated.

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.

Retention Undertaking On the Closing Date, the Seller will, as an originator for the purposes of the CRR, the AIFM Regulation and the Solvency II 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**"), Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Manager Regulation (the "**AIFM Regulation**") and Article 254 of Regulation (EU) 2015/35 (the "**Solvency II Regulation**") (which, in each case, does not take into account any corresponding national measures) (the "**Retention**"). As at the Closing Date, the Retention will comprise 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 as required by the text of each of paragraph (d) of Article 405(1) of the CRR and paragraph (d) of Article 51(1) of the AIFM Regulation. See the section entitled "Certain Regulatory Disclosures" 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 Portfolio (consisting of the Residual Payments in respect of the Portfolio). See the section entitled "*Terms and Conditions of the Residual Certificates*" for further details.

Significant Investor The Seller will on the Closing Date purchase 100 per cent. of the Class A Notes, the Class B Notes, the Class Z Notes and 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 AND THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF THE ISSUER ONLY. NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE ARRANGER, THE SERVICER, THE CASH MANAGER, THE ISSUER ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, HOLDINGS, THE CORPORATE SERVICES PROVIDER, THE BACK-UP SERVICER FACILITATOR, 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 OR THE RESIDUAL CERTIFICATES 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 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 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.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER OR ANY RELEVANT PARTY TO SUBSCRIBE FOR OR PURCHASE ANY OF THE RESIDUAL CERTIFICATES, AND NONE OF THE ISSUER OR ANY OF THE RELEVANT PARTIES MAKE ANY REPRESENTATION, WARRANTY OR OTHER ASSURANCE, EXPRESSED OR IMPLIED, TO ANY INVESTORS IN THE RESIDUAL CERTIFICATES (AND NOTHING CONTAINED HEREIN IS, OR SHALL BE RELIED UPON AS, A REPRESENTATION, WHETHER AS TO THE PAST, THE PRESENT OR THE FUTURE).

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

THE ARRANGER, THE SELLER 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*" AND "*CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO*". 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 CASH MANAGER, THE ISSUER ACCOUNT BANK, THE AGENT BANK AND THE PRINCIPAL PAYING AGENT EACH ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE CASH MANAGER, ISSUER ACCOUNT BANK, AGENT BANK AND*

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

THE 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 ARRANGER 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 OR THE SELLER 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 SELLER OR THE ARRANGER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER, THE SELLER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE ARRANGER, THE SELLER, 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 NOTE TRUSTEE, THE SECURITY TRUSTEE, 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 or the Arranger 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 or the Arranger 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 and the Residual Certificates

The Notes and the Residual Certificates 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 or the Residual Certificates 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 amounts due on the Residual Certificates 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, income from any Authorised Investments and the Rated Note Reserve Fund (applied in accordance with the terms of the Cash Management Agreement) and amounts credited to the Reinvestment Principal Ledger (to the extent that they are not represented as Available Redemption Receipts). 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 the Residual Certificates 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, Certificateholders and the other Secured Creditors, subject to the applicable Priority of

Payments. The recourse of the Noteholders and the Certificateholders to the Charged Assets following service of an Enforcement Notice is described below (see further "*Security and insolvency considerations*" below).

Limited recourse

The Notes and the Residual Certificates 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 and the Residual Certificates. 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 and the Certificateholders) 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 or Certificateholder 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 timely 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 and the Residual Certificates. 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 the use of Principal Addition Amounts to the extent of any Senior Expenses Deficit, and, in the case of all of the Rated Notes, the Rated Note Reserve Fund Liquidity Release Amounts and the Rated Note Reserve Fund Available Amounts), 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 Z Notes, the Subordinated Notes and the Residual Certificates

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 the Conditions and the Transaction Documents.

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, as provided in the Conditions and the Transaction Documents.

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 due in respect of the Rated Notes.

The Subordinated Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to all payments due in respect of interest on the Rated Notes and the Class Z Notes.

The Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to Residual Payments at all times, and are subordinate to all payments due in respect of 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, amongst others, the Note Trustee, the Security Trustee, the Issuer Account Bank, 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, and after applying any Rated Note Reserve Fund Liquidity Release Amounts, there would be a Senior Expenses Deficit (arising as a result of any inability to pay amounts due in respect of interest on the Class A Notes and the Class B Notes and certain prior ranking payments), 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 (if any) may only be redirected as Principal Addition Amounts in respect of a Senior Expenses Deficit. The Issuer will not be able to use Available Redemption Receipts to pay interest on any Class of Notes (other than (a) the Class A Notes and the Class B Notes as set out above or (b) after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments) under any circumstances.

Application of any Available Redemption Receipts as Principal Addition Amounts (in addition to the aggregate of (a) all realised losses on the Loans which are not recovered from the proceeds following the sale of the Property to which such Loan relates or any losses realised by the Issuer on the Loans as a result of the failure of the Collection Account Bank to remit funds to the Issuer 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 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. 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, and third (on any Interest Payment Date other than the Call Option Redemption Date) the Class Z Principal Deficiency Sub-Ledger.

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 principal on the Notes on or prior to the Final Maturity Date of the Notes.

Interest Rate Risk

The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the 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.

The Issuer has not entered into any interest rate swap or other hedging transaction in relation to the Loans, and as a result there is no hedge in respect of the risk of any variances in interest 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 will be reset on each Quarterly Interest Determination Date notwithstanding monthly Interest Payment Dates) 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 some of the Loans pay or will pay a floating rate of interest determined using the Reference Rate which is reset on or around the same date as the Reference Rate in respect of the Rated Notes, the risk of such mismatch is expected to be limited.

Considerations Relating to Yield, Prepayments and Mandatory 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 and the duration of the Revolving Period (as defined below). 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 Seller and the Servicer, to change the terms of their Loan from an Interest-only Loan to a Repayment Loan, the Issuer would receive principal payments in respect of the relevant Loan earlier than would otherwise be anticipated. If the Seller is required to repurchase a Loan and its Related Security because, for example, one of the Loans does not materially 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. 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 following the end of the Revolving Period, *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).

Pursuant to the Call Option, the Option Holder may, subject to certain conditions, purchase all (but not some) of the Loans and their Related Security comprising the Portfolio at the Optional Purchase Price on any Interest Payment Date falling on or after (a) the Optional Redemption Date, (b) any Collection Period Start 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 Notes on the Closing Date or (c) a change in tax law that results in the Issuer being required to make a deduction or withholding for or on account of tax or the occurrence of certain illegality events.

The Issuer shall redeem all of the Notes on the Interest Payment Date on which the sale of the Loans and their Related Security comprising the Portfolio to the Beneficial Title Transferee pursuant to the Call Option

occurs. This may adversely affect the yield to maturity on the Notes. Following the exercise of the Call Option, the application of the Optional Purchase Price as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (as applicable) and payment of the Optional Purchase Collections to the Beneficial Title Transferee pursuant to the Deed Poll, the Residual Certificates shall be cancelled and no more Residual Payments will be made by the Issuer.

Other than in relation to an enforcement of the Security or the repurchase of a Loan and its Related Security by the Seller pursuant to the Mortgage Sale Agreement, the Issuer is not permitted to sell the Portfolio to anyone other than the Option Holder and in no circumstances (including following the occurrence of an illegality event or a tax event) is the Option Holder required to purchase the Portfolio. As such, no assurance can be given that the Notes will be redeemed in full prior to their Final Maturity Date.

The weighted average life of the Notes has been calculated assuming that there is no Revolving Period. However, during the Revolving Period, payments and prepayments of principal on the Loans will be credited to the Reinvestment Principal Ledger and used to purchase Further Loans and their Related Security and will not be applied to redeem the Notes (unless such amounts have not been used by the first Interest Payment Date falling six months after such amounts have been credited to the Reinvestment Principal Ledger, in which case such amounts will be applied in accordance with the Pre-Enforcement Redemption Priority of Payments to redeem the Notes). If the Revolving Period ends on a date earlier than the Interest Payment Date falling in November 2018, either at the direction of the Seller or due to the occurrence of a Revolving Period Termination Event (as to which see further below) then the Noteholders could receive payment of principal on the Notes earlier than would otherwise be expected and this may affect yield to maturity on the Notes.

See the section entitled "*Early Redemption of the Rated Notes*" below.

Changing characteristics of the Loans during the Revolving Period

During the Revolving Period, payments and prepayments of principal on the Loans will be credited to the Reinvestment Principal Ledger and used to purchase Further Loans and their Related Security and will not be applied to redeem the Notes (unless such amounts have not been used by the first Interest Payment Date falling six months after such amounts have been credited to the Reinvestment Principal Ledger, in which case such amounts will be applied in accordance with the Pre-Enforcement Redemption Priority of Payments to redeem the Notes). Therefore the characteristics of the Portfolio may change after the Closing Date, and could be substantially different at the end of the Revolving Period from the characteristics of the pool of Loans comprising the Initial Portfolio. These differences could result in faster or slower repayments or greater losses on the Notes. In addition, following the Revolving Period End Date, payments and prepayments of principal on the Loans will be applied in accordance with the Pre-Enforcement Redemption Priority of Payments to redeem the Notes.

In accordance with the Mortgage Sale Agreement, the sale of Further Loans and their Related Security will be subject to various conditions being satisfied on the Further Loan Sale Date and on the Further Loan Sale Date certain representations and warranties will be given by the Seller.

Payments on the Loans and purchases of Further Loans and their Related Security during the Revolving Period may also result in the concentrations of Borrowers in the pool being substantially different from the concentration that exists on the Closing Date. Such concentration or other changes of the pool could adversely affect the delinquency, or credit loss, of the Loans.

The Revolving Period will end if a Revolving Period Termination Event occurs

On each Business Day during the Revolving Period, amounts standing to the credit of the Reinvestment Principal Ledger may be used to purchase Further Loans and their Related Security. Available Redemption Receipts will be credited to the Reinvestment Principal Ledger on each Interest Payment Date in accordance with the Pre-Enforcement Redemption Priority of Payments and shall be debited from the Reinvestment Principal Ledger to the extent that such amounts are used to purchase Further Loans and their Related

Security on any Further Loan Sale Date or such amounts are Timed-Out Reinvestment Amounts and applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments. Following the occurrence of a Revolving Period Termination Event, the Revolving Period will terminate and no Further Loans may be sold after the date of the event and all amounts standing to the credit of the Reinvestment Principal Ledger will be applied as Available Redemption Receipts and distributed in accordance with the terms of the Pre-Enforcement Revenue Priority of Payments. The Reinvestment Principal Ledger will not be replenished following the end of the Revolving Period.

Absence of secondary market

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

Ratings of the Rated Notes

The ratings assigned to the Rated Notes by both Fitch and Moody's address, *inter alia* (a) the likelihood of full and timely payment to the holders of the Class A Notes, the Class B Notes and, if no Class A Notes or Class B Notes remain outstanding, the Most Senior Class of Notes, 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 prior to the Final Maturity Date. The ratings assigned to the Rated Notes by Moody's also address, *inter alia*, the expected loss to a Noteholder in proportion to the Principal Amount Outstanding on the Closing Date of the Class of Notes held by such Noteholder on the Final Maturity Date.

The Class Z Notes, the Subordinated Notes and the Residual Certificates 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 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, (in the case of Fitch) the short-term and/or long-term issuer default ratings or (in the case of Moody's) the short term deposit rating, senior unsecured debt rating and/or long term counterparty risk assessment of the Issuer Account Bank. 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 the Secured Creditors (including the Noteholders of the Rated Notes), the Issuer, the Note Trustee, the Security Trustee or any other person are 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 or (in the case of the Certificateholders) all Residual Payments pursuant to the Residual Certificates shall immediately become due and payable, as applicable, 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 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) 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 Seller to the Issuer and the Security Trustee in the Mortgage Sale Agreement in accordance with the CRR, the AIFM Regulation and the Solvency II Regulation regarding the material net economic interest to be retained by the Seller 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 Seller with such covenant and will not be under any obligation to take any action in relation to non-compliance with such covenant (unless otherwise directed by the Secured Creditors (including the Noteholders) in accordance with the Transaction Documents).

No additional sources of funds after the Optional Redemption Date

There will be no increase in the margin on the Rated Notes on the Optional Redemption Date, nor will there be any 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.

RIGHTS OF NOTEHOLDERS, CERTIFICATEHOLDERS AND SECURED CREDITORS

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 (other than any Secured Creditors which are party to the relevant Transaction Document), 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 (acting in accordance with the Trust Deed), or, as the case may be, the Security Trustee (acting on the directions of the Note 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 (acting in accordance with the Trust Deed), or, as the case may be, the Security Trustee (or if there are no Notes then outstanding or Residual Certificates then in issue, all Secured Creditors), 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 then outstanding 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 (other than any Secured Creditors which are party to the relevant Transaction Document), 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 enter into any new and/or amended agreement in relation to the Issuer Account Bank and/or the Deposit Account. 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 – 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.

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 Post-Enforcement Priority of Payments.

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

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

For certain purposes, including the determination as to whether Notes are deemed outstanding or Residual Certificates are deemed in issue for the purposes of convening a meeting of Noteholders or Certificateholders, but excluding the determination as to whether Residual Certificates are deemed in issue for the purposes of the definition of "Option Holder", 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, any holding company as defined in section 1159 of the Companies Act 2006 ("**Holding Company**") of any of the Seller 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 or in issue, 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 *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 and provided that in relation to a matter relating to a Basic Terms Modification any Notes or the Residual Certificates which are for the time being held by or on behalf of or for the benefit of a Relevant Person, in each case as beneficial owner, shall be deemed to remain outstanding or in issue, as applicable.

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 (*Modification to the Transaction Documents*).

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 said rights may not have been effectively assigned to the Issuer by the Seller. The Issuer may therefore not have any direct rights against any solicitors or valuers who, when acting for the Seller 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 pursuant to the Mortgage Sale Agreement has undertaken, where appropriate, to either instigate action against such solicitor or valuer, provided that the Issuer first indemnifies the Seller, 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 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.

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

The sale by the Seller to the Issuer of the English Loans and their Related Security (until legal title is conveyed) 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 a Scots law governed declaration of trust by the Seller for the benefit of the Issuer (the "**Scottish Declaration of Trust**"). 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 Seller 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 a 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 Seller 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 Seller under the relevant Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights 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 Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the Issuer would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk

of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or from fraud, negligence or mistake on the part of the Seller or any of its 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 Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the relevant Loan directly to the Seller. However, the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of relevant Loans to the order of the Issuer.

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

For so long as the Issuer does not have legal title to the Loans and their Related Security, the Seller 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 Seller, 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 a 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 Seller 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 Seller.

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 Seller). The Seller is a deposit-taking institution and is authorised to hold client money as at the date of this Prospectus. Should a Borrower hold a deposit account with the Seller, the Borrower, in the event of the insolvency of the Seller, 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 (such as the Seller) 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. The majority of deposits made by Borrowers with the Seller will be covered by the FSCS which gives the Borrower protection up to the FSCS limit set by the FSCS from time to time (as at the date of this Prospectus being £85,000 and, from 1 January 2016, expected to be £75,000) (the "**FSCS Limit**"). As such, in the event that the Seller is unable to meet a claim from a Borrower over and above the FSCS limit, set-off rights of such Borrower, despite the giving of notice to the Borrowers of the assignment or, as applicable, assignation of the Loans and their Related Security to the Issuer, may apply. In order to mitigate this risk, the Seller will be required pursuant to the terms of the Mortgage Sale Agreement to 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 Seller for an amount in excess of the FSCS Limit 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 as at the immediately preceding Collection Period Start 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 Seller has failed to make a Further Advance to the Borrower having made a commitment to do so, where the Seller has agreed to Port a Loan or where the Seller 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 Seller to agree to any Further Advance, Product Switch or any Port. The Servicer will undertake with the Issuer and the Security Trustee in the Servicing Agreement not to make any offer for a Port or otherwise agree to any requested Port. Should a Further Advance or Product Switch be agreed, the Seller would be required to repurchase the relevant Loan pursuant to the terms of the Mortgage Sale Agreement.

Once notice has been given to the Borrowers of the assignment or assignment of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller 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 Seller's breach of contract against the Seller'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 Seller 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 Seller to make a Further Advance having become bound to do so, the Borrower could, where the Seller has 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 Seller has failed to effect the Port, having committed to do so, the Borrower could set off against the Issuer 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. However, the Seller will represent and warrant in the Mortgage Sale Agreement that the terms and conditions of the Loans do not require the Seller to agree to any Further Advance, Product Switch or any Port and the Servicer will undertake in the Servicing Agreement with the Issuer and the Security Trustee that it will not offer to any Borrower nor will it agree to any request from any Borrower for a Port in relation to a Loan and its Related Security. Should the Servicer agree to offer any Borrower a Further Advance or Product Switch, the Seller would be required to repurchase the relevant Loan prior to such Further Advance or Product Switch being effected pursuant to the terms of the Mortgage Sale Agreement. In addition to the difference in the cost of borrowing, the relevant Borrower could also set off any direct losses arising from the Seller'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 Seller's breach of contract where there are special circumstances communicated by the Borrower to the Seller 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 Seller as at 30 September 2015 for loans originated on or prior to 30 September 2015, and as at the date of the origination for loans originated after 30 September 2015 but prior to 28 October 2015 (the date of extraction in respect of each loan, the "**Cut-Off Date**" in respect of such loan and 28 October 2015 being the "**Final Cut-Off Date**"). As at the Final Cut-Off Date, the Provisional Portfolio comprised of 3,012 loans with an aggregate current balance calculated by reference to the current balance of each loan as at its Cut-Off Date of £519,315,596.72. The Initial Portfolio that will be sold to the Issuer on the Closing Date will be representative of the Seller's portfolio of loans which comply with the Loan Warranties as at 1 November 2015. 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 November 2015. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Initial Portfolio between 28 October 2015 and the Closing Date.

The Issuer may purchase Further Loans and their Related Security from the Seller on any Further Loan Sale Date during the Revolving Period using funds standing to the credit of the Reinvestment Principal Ledger. The purchase of Further Loans and their Related Security from the Seller on any Further Loan Sale Date may result in the Loans comprised in the Portfolio having different characteristics from those Loans comprised in the Initial Portfolio and set out in this Prospectus.

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 Seller 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 Seller, 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. 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 Seller that the Loans have been underwritten in accordance with the underwriting standards described in the section entitled "*The Loans*" below subject to any variations as may be acceptable to a Reasonable, Prudent Residential Mortgage Lender. 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 (a) failed to honour its previous secured loan commitments more than one time in the previous year or more than three times in the previous three years or (b) has been registered with a single county court judgement (or the Scottish equivalent) in excess of (i) £1,000 in the previous year or (ii) £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 properties 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 properties 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 in the Provisional Portfolio, 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 – Characteristics of the Loans – Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, 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 ("**PEPs**"), new individual savings accounts ("**NISAs**") or endowment policies.

However, the only security that exists in relation to a Loan (including any Interest-only Loans) in the Portfolio will 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 secured by 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 – Characteristics of 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, PEPs, NISAs 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.

Should a Borrower elect, subject to the consent of the Seller and the Servicer, to amend the terms of its Loan from an Interest-only Loan to a Repayment Loan, the relevant Loan would remain with the Issuer as part of the Portfolio, 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 and Mandatory Redemption*" above.

Buy-To-Let Loans

Certain of the Loans in the Initial Portfolio are (and some of the Loans in the Further Portfolio may be) residential loans taken out by a Borrower in relation to the purchase or re-mortgage of a Property for letting purposes ("**Buy-To-Let Loans**"), in relation to which the Borrower's ability to service such Buy-To-Let 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 Buy-To-Let Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the relevant Buy-To-Let 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 relevant Buy-To-Let 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 relevant Buy-To-Let 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.

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

yield to maturity of the Notes. See further "*Risk Factors – Considerations Relating to Yield, Prepayments and Mandatory Redemption*" above.

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 Further Loans and their Related Security on any Further Loan 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 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. As such, the Loans 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 Loans and their Related Security, as at the relevant Further Loan Sale Date, which breach is not remedied in accordance with the Mortgage Sale Agreement, will be to require the Seller to repurchase any relevant Loan and its Related Security in accordance with the repurchase provisions in the Mortgage Sale Agreement. However, there can be no assurance that the Seller 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, 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 material 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 any Further Loan 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.

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 Accounts to the Issuer pursuant to the Bank Account Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing

Agreement, the Back-Up Servicer Facilitator has agreed to provide back-up servicer facilitation services in relation to 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 (with the assistance of the Back-Up Servicer Facilitator) to appoint a substitute 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 Credit Agreements 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. Such risk is mitigated by the provisions of the Servicing Agreement pursuant to which the Back-Up Servicer Facilitator, in certain circumstances, will assist the Issuer in appointing a substitute servicer.

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

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

Certain material interests and potential for conflicts

Certain of the parties to the transaction have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer and the Seller in the ordinary course of business. Other parties to the transaction may also perform multiple roles, including Elavon Financial Services Limited, who will act as Cash Manager, Issuer Account Bank, Principal Paying Agent, Registrar and Agent Bank. 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.

The terms of the Transaction Documents do not prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or

companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents.

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 borrower's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse).

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 Seller) 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 and (unless a Perfection Event has occurred prior to the relevant Further Loan Sale Date) as at each Further Loan Sale Date the Issuer will only hold beneficial title to the relevant 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, 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 FCA'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 will, upon receipt of notice from the Issuer, be required 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 Seller) 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.

Mortgage Directive

Although a buy-to-let credit agreement entered into on or after 31 October 2004 will not be a "**Regulated Mortgage Contract**" or otherwise regulated under the FSMA, this is due to change for some buy-to-let credit agreements from 21 March 2016.

Directive 2014/17/EU (the "**Mortgage Directive**") was published in the official journal of the European Union on 28 February 2014. It entered into force twenty days after such publication and Member States will be required to implement the Mortgage Directive into national law by 21 March 2016.

The Mortgage Directive aims to create an EU-wide mortgage credit market with a high level of consumer protection and it 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 (c) extends the Consumer Credit Directive (2008/48/EC) to 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 applies to buy-to-let loans.

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.

The UK government has sought to put in place what it has described as the minimum requirements to meet its legal obligations under the Mortgage Directive in respect of buy-to-let mortgages. The UK government has established in legislation a framework for 'consumer buy-to-let' mortgages ("**CBTL**") via the Mortgage Credit Directive Order 2015 ("**MCD Order 2015**") which was made on 25 March 2015. In parallel, the FCA consulted on the implementation of this new framework making its Mortgage Credit Directive Instrument 2015, also on 25 March 2015. The legislation will come into full force from 21 March 2016, creating a new distinction between buy-to-let activity involving consumers and consumers acting by way of business. The legislation provides that firms do not need to apply the government's appropriate framework for buy-to-let mortgages where a borrower is acting wholly or predominantly for the purposes of a business. The UK Treasury has stated that they would expect CBTL activity to represent a small proportion of total buy-to-let transactions. That said, it is still too early to tell what effect the implementation of the Mortgage Directive into UK law would have on the Seller, the Issuer and/or the Servicer and their respective businesses and operations.

Any further changes to the FCA's 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 Seller, the Issuer, the Servicer and their respective businesses and operations.

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

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

In relation to interest-only loans that are not buy-to-let loans, the mortgage market review introduced rules that require relevant institutions, with effect from 26 April 2014, to obtain evidence (with permitted exceptions) that a borrower will have in place a clearly understood and credible payment strategy and that the payment strategy has the potential to repay the principal at the end of the term of an interest-only loan.

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 Seller, 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) 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.
- (b) 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 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 Seller, 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 periodic statements and arrears notices, (b) the borrower is not liable to pay interest or, in certain cases, default fees for any period in which the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. 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 Seller 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 will, upon receipt of notice from the Issuer, be required to repurchase the relevant Loan(s) and their Related Security from the Issuer.

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 apply to business-to-consumer contracts entered into prior to the CRA Commencement Date only. For business-to-consumer contracts entered into on or after the CRA Commencement Date, see "*Consumer Rights Act 2015*" below).

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 Seller is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan 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 previous regulator, 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.

The May 2005, January 2007 and January 2012 guidance (the "**Previous Guidance**") were removed from the FCA's website because they no longer reflect the FCA's current view on unfair contract terms. In July 2015, the CMA issued a guidance note on unfair contract terms in the Consumer Rights Act 2015, which applies to any contracts entered into on or after 1 October 2015. However, the July 2015 guidance makes it clear that the Consumer Rights Act generally carries forward rather than changes the substance of the protections provided to consumers under earlier legislation and the Previous Guidance. As such, even with changes in regulatory structure in the United Kingdom that came into effect on 1 April 2013, in respect of Loans originated before 1 October 2015, the Previous Guidance remains the most specific guidance on this topic.

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.

The Consumer Rights Act, which came into force from an unfair contract terms perspective on 1 October 2015 (the "**CRA Commencement Date**"), provides that, among other things, a term which specifies the main subject matter of the contract, or a price term, is exempt from being reviewed as to its fairness if the term is transparent and prominent and 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.

The CMA took over the role of principal enforcer of the UTCCR from the OFT in relation to unfair contract terms in April 2014. On 26 January 2015, the CMA published a guidance consultation on the unfair contract terms provisions in the Consumer Rights Bill (which has been enacted as the Consumer Rights Act (the "**CRA**")). These guidelines, which were finalised as of 31 July 2015 (reference CMA37), are intended to support the CRA. The CRA consolidates and repeals the UTCCR and parts of the Unfair Contract Terms Act 1977 ("**UCTA**") (see "*Consumer Rights Act 2015*" below). However, as noted above, despite its revocation, the UTCCR will continue to apply to contracts entered into prior to the CRA Commencement Date.

The Unfair Contract Terms Regulatory Guide (the "**UNFCOG**") in the FCA Handbook explains the FCA's policy on how it uses its formal powers under the UTCCR, although comprehensive guidance on the UTCCR themselves is not provided. It is unclear how such existing guidance and rules will be amended following the coming into force of the CRA.

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

Consumer Rights Act 2015

The CRA reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime for unfair contract terms out of the Unfair Contract Terms Act 1977 (which essentially deals with

attempts to limit liability for breach of contract) and the UTCCR. On the CRA Commencement Date, certain sections of the CRA revoked the UTCCR, and introduced a new regime for dealing with unfair contractual terms with respect to contracts entered into on or after the CRA Commencement Date. The UTCCR will continue to apply to contracts entered into prior to the CRA Commencement Date as described above.

Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (a term which has been revised to mean an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). In an additional change from the old regime, from the CRA Commencement Date, an unfair consumer notice will also not be binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends. The CRA also applies substantially the same test of fairness to consumer notices and generally refers to term and notices interchangeably.

Schedule 2 contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Three of these "grey list" terms are new, having not been covered by the UTCCR. Notably, paragraph 11 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract". Although paragraph 22 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

A consumer contract may not be assessed for fairness to the extent that (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it; unless it appears on the "grey list" referenced above. A trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent i.e. that it is expressed in plain and intelligible language and is legible. Under the CRA, a trader must also ensure that the term is sufficiently prominent. The CMA considers this to be fully consistent with an interpretation of "the core exemption" as intended to ensure that only those "principal obligations" or price terms which are subject to the correcting forces of competition and genuine decision-making are fully assessable for fairness.

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

The provisions in the CRA governing unfair contractual terms apply in respect of contracts entered into on or after the CRA Commencement Date. As stated above, the UCTA and the UTCCR continue to apply to contracts entered into prior to the CRA Commencement Date. The new CRA regime does not seem to be significantly different from the regime under the UTCCR and the UCTA. However, this area of law is rapidly developing and new regulatory guidance and case law as a result of this new legislation can be expected. No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Loans and accordingly on the Issuer's ability to make payments in full when due on the Notes.

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.

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. The Consumer Protection (Amendment) Regulations 2014 (SI No.870/2014) was laid before Parliament on 1 April 2014 and came into force on 1 October 2014. These amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements. This will apply to any debt collection activity with regard to commercial demands for payment.

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 Seller 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 Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

UK Government Schemes and Help to Buy Scheme not applicable

The Notes are not guaranteed by or obligations of the UK Government. 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 were available from 1 April 2013. There are no shared equity loans included in the Portfolio. The second involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio ("**LTV**"). The guarantee loans were 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 could 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 assignment 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.

Risks relating to the Banking Act 2009

The Banking Act 2009 (the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised deposit-taking institutions and investment firms, and powers to recognise and give effect to certain resolution actions in respect of third country institutions. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country institution or in the same group as an EU credit institution or investment firm. Relevant transaction parties for these purposes include the Seller, the Issuer Account Bank and the Collection Account Bank.

The tools available under the Banking Act include share and property transfer powers (including powers for partial property transfers), bail-in powers, certain ancillary powers (including powers to modify contractual

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

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 system of the United Kingdom. The Banking Act includes provisions related to compensation in respect of 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 authorities may choose to exercise them.

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

As noted above, the stabilisation tools may be used in respect of certain banking group companies provided certain conditions are met. If the Issuer was regarded to be a banking group company and no exclusion applied, then it would be possible in certain scenarios for the relevant authority to exercise one or more relevant stabilisation tools (including the property transfer powers and/or the bail-in powers) in respect of it, which could result in reduced amounts being available to make payments in respect of the Notes and/or in the modification, cancellation or conversion of any unsecured portion of the liability of the Issuer under the Notes at the relevant time. In this regard, it should be noted that the UK authorities have provided an exclusion for certain securitisation companies, which exclusion is expected to extend to the Issuer, although aspects of the relevant provisions are not entirely clear.

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

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

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under the Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Savings Directive, although it does not impose withholding taxes. The proposal also indicates that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

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

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

UK Taxation position of the Issuer

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

EU financial transaction tax

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

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (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 expected to be exempt.

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

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

While the Notes and the Residual Certificates are in global form and held within Euroclear and/or Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA** ") will affect the amount of any payment

received by the ICSDs (see "*Taxation – Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes and the Residual Certificates are discharged once it has made payment to, or to the order of, the ICSDs, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

Withholding Tax under the Notes

In the event that any withholding or deduction for or on account of any taxes is imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will, in accordance with Condition 8.4 (*Mandatory Redemption of the Rated Notes 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 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 "*Taxation – United Kingdom Taxation*" below.

European Monetary Union

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.

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

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

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

that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

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

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

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

Economic conditions in the Eurozone

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

Political uncertainty

The main Westminster political parties have promised to devolve to the Scottish Parliament additional legislative powers currently reserved to the UK Parliament. The UK Government has published a Command Paper in January 2015 followed by a draft Scotland Bill on 28 May 2015 which proposes, amongst other things, passing control of income tax to the Scottish Parliament by giving it the power to raise or lower the rate of income tax and thresholds for non-dividend and non-savings income of Scottish residents. Whilst the majority of the draft provisions (if enacted) are not expected to have an adverse impact on the Scottish economy or on mortgage origination in Scotland, increased powers for the Scottish Parliament to control income tax could mean that Borrowers in Scotland are subject to a different rate of income tax from borrowers in the same income bracket in England, Wales and Northern Ireland, which may affect some Borrowers' ability to pay amounts when due on the Loans originated in Scotland, and which, in turn, may adversely affect payments by the Issuer on the Notes.

In May 2015, the EU Referendum Bill was introduced into the UK Parliament, which confirms that a referendum on the UK's membership of the EU will be held by 31 December 2017. The outcome of such a

referendum is not known and there is considerable uncertainty as to the impact of either a "yes" or a "no" vote on the general economic condition in the UK and the UK housing market. As such, no assurance can be given as to the impact of the referendum on the UK's membership of the EU and in particular, no assurance can be given that such matters would not adversely affect the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Rated Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes. In addition, it should be noted that regulatory requirements (including any applicable retention, due diligence or disclosure obligations) may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this Prospectus or of any party under any applicable law or regulation.

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

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

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

In addition, investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its Note position, the underlying

assets and (in the case of certain types of investors) the relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or securitised 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.

It should be noted that the European Commission has published legislative proposals for two new regulations related to securitisation. Amongst other things, the proposals include provisions intended to implement the revised securitisation framework developed by BCBS and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. There are material differences between the legislative proposals and the current requirements including with respect to the applicable approach under the retention requirements and the originator entities eligible to retain the required interest. It is not clear whether, and in what form, the legislative proposals (and any corresponding technical standards) will be adopted. In addition, the compliance position under any adopted revised requirements of transactions entered into prior to adoption, and of activities undertaken by a party (including an investor) in respect of such transactions, is currently uncertain.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. With respect to the commitment of the Seller to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by the Servicer or the Cash Manager on the Issuer's behalf), please see the statements set out in the section of this Prospectus headed "*Certain Regulatory Disclosures*". 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 Servicer, the Seller nor the Arranger or any other party makes any representation that the information described above is sufficient in all circumstances for such purposes.

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

CRA Regulation

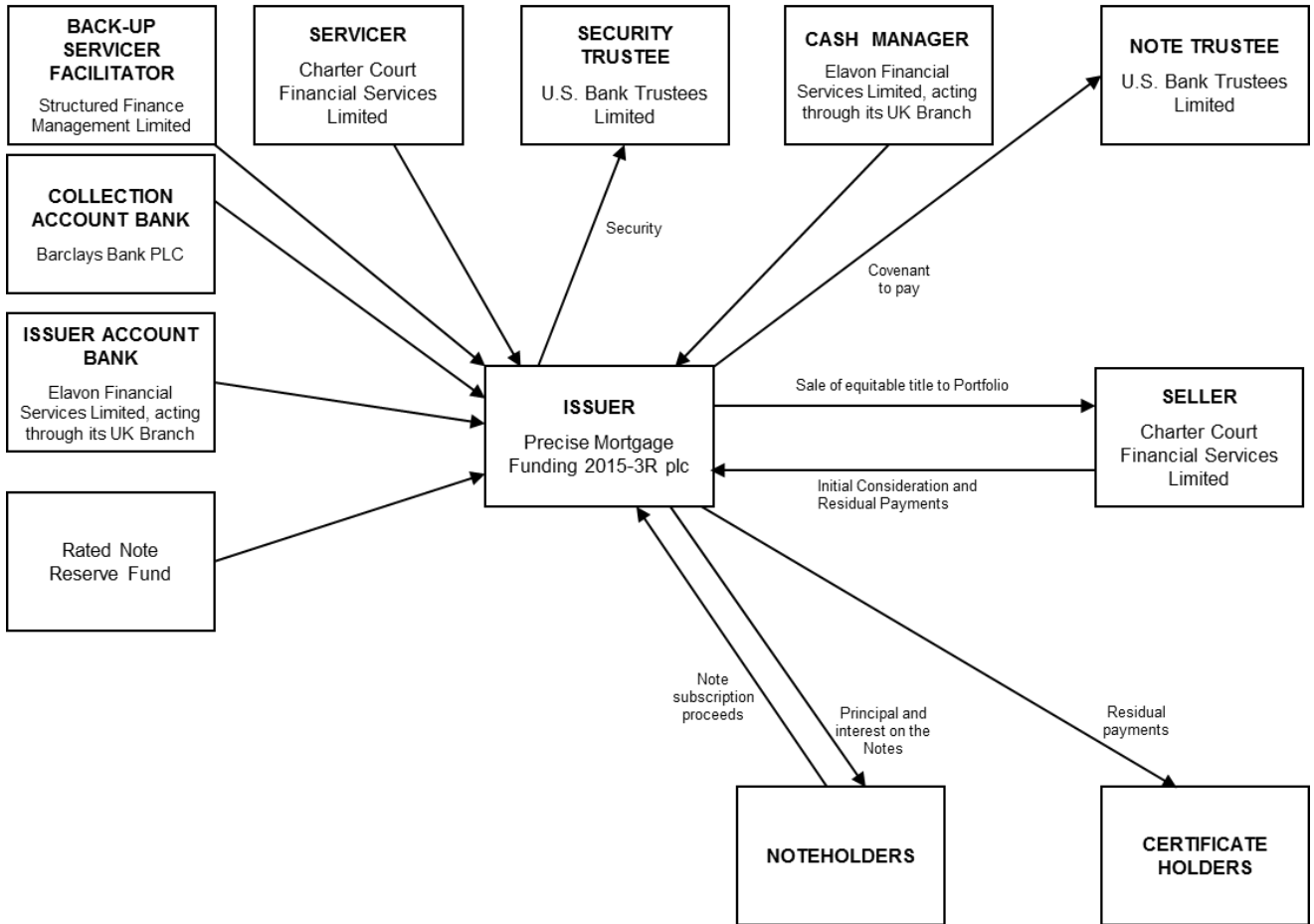
In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), 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 Moody's, each of which, as at the date of this Prospectus, is a credit rating agency established in the European Community and registered under the CRA Regulation.

STRUCTURE DIAGRAMS

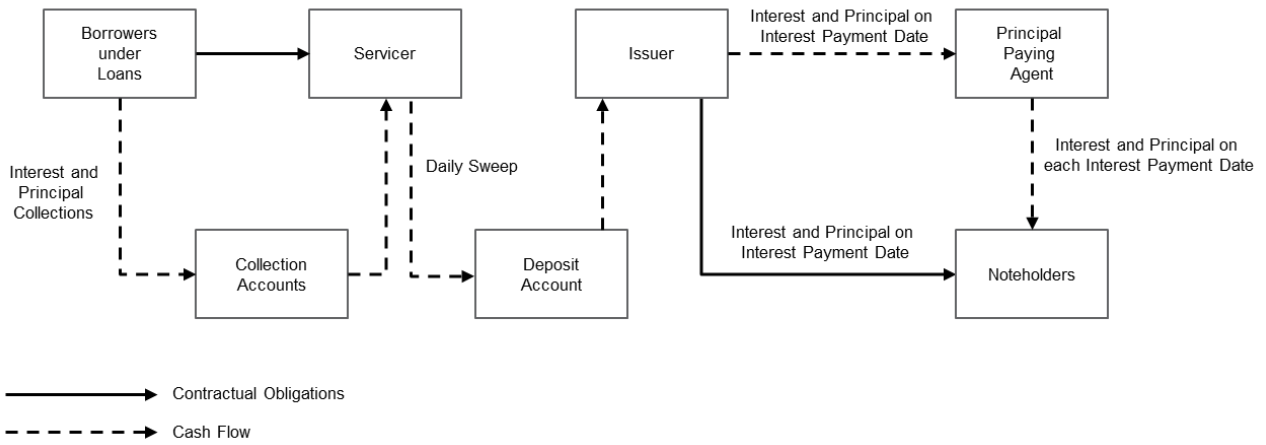
DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

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 Further Loans on any Further Loan Sale Date.

OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

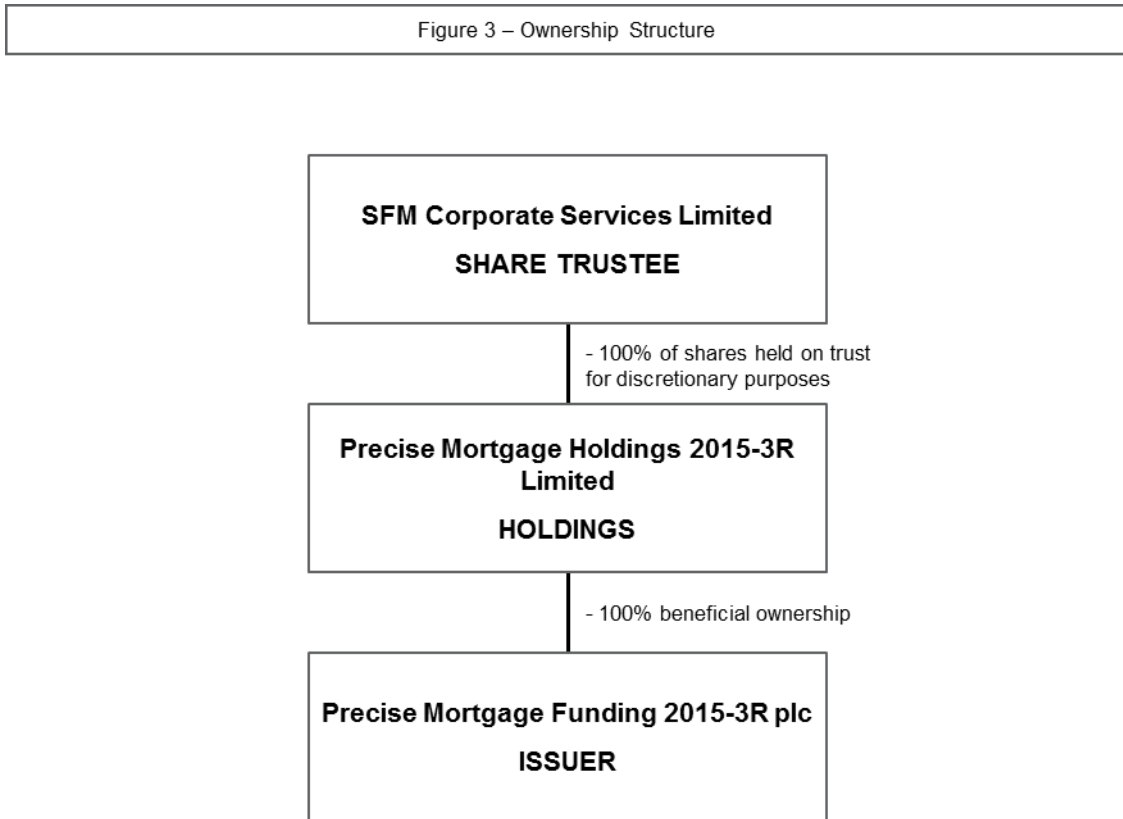


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- 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 2015-3R plc	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
" Holdings "	Precise Mortgage Holdings 2015-3R Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
" Seller "	Charter Court Financial Services Limited	2 Charter Court, Broadlands, Wolverhampton WV10 6TD	See the sections entitled " <i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i> " and " <i>Charter Court Financial Services Limited</i> " for further information.
" Servicer "	Charter Court Financial Services Limited	2 Charter Court, Broadlands, Wolverhampton WV10 6TD	Servicing Agreement by the Issuer and the Seller. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " and " <i>Charter Court Financial Services Limited</i> " 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 the Issuer. See the sections entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " and " <i>The Cash Manager, Issuer Account Bank, Agent Bank and Principal Paying Agent</i> " for further information.

Party	Name	Address	Document under which appointed/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. See the sections entitled " <i>Summary of the Key Transaction Documents – The Bank Account Agreement</i> " and " <i>The Cash Manager, Issuer Account Bank, Agent Bank and Principal Paying Agent</i> " for further information.
"Collection Account Bank"	Barclays Bank PLC	One Churchill Place, London E14 5HP	The Collection Account Agreement by CCFS as the account holder. See the section entitled " <i>Summary of the Key Transaction Documents – The Collection Accounts Declaration of Trust</i> ", " <i>The Collection Account Agreement</i> " and " <i>The Collection Account Bank</i> " for further information.
"Security Trustee"	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Deed of Charge. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " 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 " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.
"Principal Paying Agent" and "Agent Bank"	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 " <i>Terms and Conditions of the Notes</i> " and " <i>The Cash Manager, Issuer Account Bank, Agent Bank and Principal Paying Agent</i> " 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 " <i>Terms and Conditions of the Notes</i> " for further information.

Party	Name	Address	Document under which appointed/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 " <i>The Corporate Services Provider</i> " for further information.
"Back-Up Servicer Facilitator"	Structured Finance Management Limited	35 Great St. Helen's, London, EC3A 6AP	Servicing Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " 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 " <i>Subscription and Sale</i> " 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:

Pursuant to the Mortgage Sale Agreement, the Portfolio will consist of (i) the Initial Portfolio (comprising Loans and their Related Security which will be sold by the Seller to the Issuer on the Closing Date) and (ii) any Further Loans and their Related Security which may be sold by the Seller to the Issuer on any Business Day during the Revolving Period). The Issuer may only purchase the Further Loans and their Related Security using funds standing to the credit of the Reinvestment Principal Ledger.

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 originated by the Seller.

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 Seller in favour of the Issuer granted, in relation to the Initial Portfolio, on the Closing Date and granted, in relation to the Further Loans and their Related Security, on the relevant Further Loan Sale Date (each a "**Scottish Declaration of Trust**")

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 the 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 Scottish Declaration of Trust and the release of such Loan and its Related Security from the Scottish Declaration of Trust and (B) the purchase by the Seller 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 Seller on bare trust for the Issuer (including, in respect of a Scottish Loan, under the 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:

Except as otherwise indicated, the following is a summary of certain features of the Loans comprising the Provisional Portfolio determined by reference to the features of each loan in the Provisional Portfolio as at its Cut-Off 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 Loans	Yes		
Buy-To-Let Loans (as % of Current Balance)	64.18%		
Owner-occupied properties	Yes		
Owner-occupied properties (as % of Current Balance)	35.82%		
Fast Track	No		
Equity release mortgages	No		
Number of loans in the Provisional Portfolio*	3,012		
	Average	Minimum	Maximum
Current Balance*	£172,415.54	£23,872.62	£1,025,035
Current LTV*	71.74%	6.41%	87.25%

* As at the Final Cut-Off Date.

* As at the Final Cut-Off Date.

Seasoning (months)*	3	0	29
Remaining Term (years)*	21.67	4.45	30.00

The Portfolio will also include any Further Loans and their Related Security (if applicable) acquired from the Seller on any Further Loan Sale Date during the Revolving Period. The acquisition of the Further Loans and their Related Security 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.

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 other than any administrative fee that is paid by the Borrower for the benefit of any third party and/or retained by the Servicer in accordance with the terms of the Servicing Agreement,

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 Portfolio.

Consideration:

The consideration from the Issuer to the Seller in respect of the sale of the Initial Portfolio (the "**Initial Portfolio Consideration**") shall be: (a) the Initial Portfolio Initial Consideration, 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.

On any Business Day during the Revolving Period, the Issuer may pay the Further Portfolio Initial Consideration to the Seller and the Seller may assign and transfer Further Loans and their Related Security to the Issuer on such date (such date being a "**Further Loan Sale Date**") . The consideration due from the Issuer to the Seller in respect of the sale of Further Loans and their Related Security (the "**Further Portfolio Consideration**") shall be: (a) the Further Portfolio Initial Consideration in respect of such Further Loans and their Related Security, which is due and payable on the relevant Further Loan 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 and delivered to, or at the direction of, the Seller on the Closing Date.

"Initial Portfolio Initial Consideration" means £517,841,901.59.

"Further Portfolio Initial Consideration" means, in respect of the Further Loans and their Related Security to be sold to the Issuer on any Further Loan Sale Date, an amount equal to the Current Balance of the Further Loans on the final day of the Collection Period immediately prior to the relevant Further Loan Sale Date.

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

The Seller shall transfer to the Issuer within two Business Days of the Closing Date or a Further Loan 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 November 2015 to (but excluding) the Closing Date and within two Business Days of a Further Loan Sale Date (if any), all Collections received on the Further Loans and their Related Security sold on that date from (and including) the Collection Period Start Date immediately preceding the Further Loan Sale Date to (but excluding) the Further Loan Sale Date.

Representations and Warranties:

The Seller 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 Further Loans and their Related Security on the relevant Further Loan 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 21 years or older as at the date of execution of the Loan;
- (b) no Borrower is an employee or director of the Seller;
- (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 October 2045;
- (f) at least one Monthly Instalment due in respect of each Loan has been paid by the relevant Borrower, except for Loans that comprise the Initial Portfolio and were originated on or after 23 October 2015;
- (g) each Loan was acquired from the Seller 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 more than £25,000 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 Seller to agree to any Further Advance, Product Switch or Port.

"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 Seller 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 is required to repurchase 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 Seller determines on a Calculation Date that a Loan in the Portfolio was a Significant Deposit Loan on the immediately preceding Collection Period Start Date; and
- in the event that the Seller has elected to make (i) a Further Advance or (ii) a Product Switch, in each case in relation to a Loan in the Portfolio.

If and to the extent that any determination shall be made by any court or other competent authority or any ombudsman or regulator that in respect of a Loan or its Related Security:

- (a) any term which relates to the recovery of interest under the Standard Documentation applicable to that 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 relating to the interest payable by or applicable to a Borrower under that 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 a notice requiring the Seller to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

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

Consideration for repurchase:

The consideration payable by the Seller 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 the extent to which 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 Seller, 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 (as the case may be). See the section entitled "*Summary of the Key Transaction Documents – Repurchase by the Seller – 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 Seller 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 the Scottish Declaration of Trust and will therefore be subject to certain risks as set out in the risk factor entitled "*Seller to initially retain legal title to the Loans and risks relating to set-off*" in the 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 Seller 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) 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. 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.

Option Holder may exercise the Call Option:

Pursuant to the Call Option, the Option Holder may, pursuant to and subject to the terms of the Deed Poll, require (or where the Option Holder is the Seller, request) the Issuer to:

- (a) sell and transfer to a Beneficial Title Transferee the beneficial title to all (but not some) of the Loans and their Related Security comprising the Portfolio in consideration for the Optional Purchase Price; and
- (b) transfer the legal title to all (but not some) of the Loans and their Related Security comprising the Portfolio, or if, at the time the Call Option is exercised, the Issuer does not hold legal title, the right to require the Issuer to procure that the Seller transfers legal title, to a Legal Title Transferee,

on any Interest Payment Date falling on or after (i) the Optional Redemption Date, (ii) any Collection Period Start 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 Notes on the Closing Date or (iii) a change in tax law that results in the Issuer being required to make a deduction or withholding for or on account of tax or the occurrence of certain illegality events.

See the section entitled "*Early Redemption of the Rated Notes*" below.

Further Loans :

On any Business Day falling within the Revolving Period, the Seller may (in its absolute discretion) sell and assign Further Loans and their Related Security to the Issuer for the relevant Further Portfolio Consideration on a given Further Loan Sale Date.

Revolving Period:

The Revolving Period ends on (but excludes) the earlier of (i) the Interest Payment Date falling in November 2018, (ii) the date on which a Revolving Period Termination Event occurs or (iii) any such earlier date as may be specified by the Seller (the "**Revolving Period End Date**"). Following the termination of the Revolving Period, no Further Loans and their Related Security may be sold to the Issuer.

"**Revolving Period**" means the period commencing on (but excluding) the Closing Date and ending on the Revolving Period End Date.

**Revolving Period
Termination Event:**

The occurrence of any of the following events will cause the Revolving Period to end (a "**Revolving Period Termination Event**")::

- (a) an Event of Default;
- (b) on any date, the aggregate of all Losses is greater than 5.00 per cent. of the aggregate Current Balance of all Loans in the Portfolio as of the Closing Date;
- (c) on any date, the aggregate Current Balance of Loans in the Portfolio which are more than three Monthly Instalments in arrears is greater than 4.00 per cent. of the aggregate Current Balance of all of the Loans in the Portfolio on such date;
- (d) on any date, the debit balance of the Class Z Principal Deficiency Sub-Ledger is greater than 1.00 per cent. of the aggregate Current Balance of all Loans in the Portfolio on such date; or
- (e) on any Interest Payment Date, the amount standing to the credit of the Rated Note Reserve Fund is less than the Rated Note Reserve Fund Required Amount.

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 Z Notes	Subordinated Notes
Principal Amount:	£429,800,000	£27,900,000	£60,142,000	£13,274,000
Credit enhancement features:	Overcollateralisation funded by other Notes (other than the Subordinated Notes), Revenue Receipts and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all amounts credited to the Rated Note Reserve Fund Ledger	Overcollateralisation funded by other Notes (other than the Class A Notes and the Subordinated Notes), Revenue Receipts and prior to the service of an Enforcement Notice, the availability of the Rated Note Reserve Fund Available Amount and, following service of an Enforcement Notice, all amounts credited to the Rated Note Reserve Fund Ledger	Revenue Receipts and following service of an Enforcement Notice, all amounts credited to the Rated Note Reserve Fund Ledger	Revenue Receipts and following service of an Enforcement Notice, all amounts credited to the Rated Note Reserve Fund Ledger
Liquidity support features	Subordination in payment of the Class B Notes, the Class Z Notes and the Subordinated Notes, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Senior Expenses Deficit and the amounts credited to the Rated Note Reserve Fund	Subordination in payment of the Class Z Notes and the Subordinated Notes, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Senior Expenses Deficit and the amounts credited to the Rated Note Reserve Fund	Subordination in payment of the Subordinated Notes	None
Issue Price:	100%	100%	100%	100%
Reference Rate:	Three Month LIBOR*	Three Month LIBOR*	0.90% per annum	0.90% per annum
Quarterly Interest Determination Date:	the 12th day of each of March, June, September and December in each year	the 12th day of each of March, June, September and December in each year	the 12th day of each of March, June, September and December in each year	the 12th day of each of March, June, September and December in each year
Margin	0.90% p.a.	2.50% p.a.	N/A	N/A
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	30/360	30/360
Interest Payment Dates:	16th day of each month in each year	16th day of each month in each year	16th day of each month in each year	16th day of each month in each year

* Three month LIBOR will be set on each Quarterly Interest Determination Date. The first Quarterly Interest Determination Date will be 12 December 2015.

	Class A Notes	Class B Notes	Class Z Notes	Subordinated Notes
First Interest Payment Date:	16 December 2015	16 December 2015	16 December 2015	16 December 2015
Final Maturity Date:	The Interest Payment Date falling in November 2050	The Interest Payment Date falling in November 2050	The Interest Payment Date falling in November 2050	The Interest Payment Date falling in November 2050
Optional Redemption Date:	The Interest Payment Date falling in November 2020	The Interest Payment Date falling in November 2020	The Interest Payment Date falling in November 2020	The Interest Payment Date falling in November 2020
Application for Exchange Listing:	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
ISIN:	XS1311138389	XS1311138462	XS1311138629	XS1311138892
Common Code:	131113838	131113846	131113862	131131631
Ratings (Fitch/Moody's):	AAAsf / Aaa(sf)	AAAsf / Aa2(sf)	Not rated	Not rated
Eurosystem Eligibility	Each Class of Notes and the Residual Certificates are intended to be held in a manner which will allow Eurosystem eligibility. This means that each Class of Notes and the Residual Certificates are intended upon issue to be registered in the name of the Common Safekeeper (or a nominee thereof) with one of Euroclear or Clearstream, Luxembourg as Common Safekeeper and does not necessarily mean that any Class of Notes or the Residual Certificates will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.			
Minimum Denomination	£100,000	£100,000	£100,000	£100,000
Governing law of the Notes	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 November 2050 (the "**Class A Notes**");
 - Class B Mortgage Backed Floating Rate Notes due November 2050 (the "**Class B Notes**");
 - Class Z Mortgage Backed Fixed Rate Notes due November 2050 (the "**Class Z Notes**");
 - Subordinated Fixed Rate Notes due November 2050 (the "**Subordinated Notes**"),

and together, the Class A Notes and the Class B 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 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.

The Subordinated Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest at all times, but subordinate to all payments of interest due in respect of the Rated Notes and the Class Z Notes.

The Residual Certificates are subordinate to all rights of payment of interest on the Notes. The Certificateholders will be entitled to receive, by way of deferred consideration for the Issuer's purchase of the Portfolio, the Residual Payments of amounts equal to whatever funds are remaining after all payments ranking senior to them in the Pre-Enforcement Revenue Priority of Payments or, as the case may

be, the Post-Enforcement Priority of Payments have been made.

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

The Residual Certificates will rank *pro rata* and *pari passu* without any preference or priority among themselves as to payments of any Residual Payments 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, the Scottish Supplemental Charge and the Scottish Declaration of Trust) and any sums derived therefrom;
- (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 Seller over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the 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) 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 of (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) and the Collection Accounts Trust (created pursuant to the Collection Accounts Declaration of Trust);
- (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 November 2050 (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) which shall be applied or to replenish the Reinvestment Principal Ledger:
 - (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 Z Notes until they are repaid in full; and

- (d) *fourth*, thereafter any excess amounts will be applied on a *pari passu* and *pro rata* basis to the holders of the Residual Certificates,

and the Subordinated Notes will be repaid from Available Revenue Receipts on a *pari passu* and *pro rata* basis until they are repaid in full.

- mandatory redemption of the Notes in full and the cancellation of the Residual Certificates following the exercise by the Option Holder of the Call Option or the occurrence of certain other events, as fully set out in Conditions 8.3 (*Mandatory Redemption of the Rated Notes in Full*) or 8.4 (*Mandatory Redemption of the Rated Notes 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 (including the length of the Revolving Period). 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. A Revolving Period Termination Event (other than a Revolving Period Termination Event specified under item (a) of such definition) will not be an Event of Default.

Limited Recourse and Non-Petition:

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

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

Governing Law:

English law (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 or, as applicable, Certificateholders holding not less than 10 per cent. of the number of Residual Certificates then in issue, are entitled to convene a Noteholders' meeting or a Certificateholders' meeting respectively.

However, so long as no Event of Default has occurred and is continuing, neither the Noteholders nor the Certificateholders are 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 (or, if the Notes have been redeemed in full, the Certificateholders may, if they hold not less than 25 per cent. of the number of Residual Certificates then in issue or if an Extraordinary Resolution of the Certificateholders 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 or that all Residual Payments pursuant to the Residual Certificates are immediately due and payable, as applicable. The Note Trustee shall not be bound to take any such action unless first indemnified and/or prefunded and/or secured to its satisfaction.

Noteholders and Certificateholders Meeting provisions:

	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	At least 21 clear days	At least 10 clear days
Quorum:	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than 25 per cent. of the Principal Amount Outstanding of the relevant Class or	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or

Classes of Notes then outstanding or holding or representing not less than 25 per cent. of the Residual Certificates then in issue, as applicable, for transaction of business including the consideration of an Ordinary Resolution. The quorum for considering an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and representing in aggregate not less than 50 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 considering a Basic Terms Modification at a meeting of any affected Class or Classes of Notes or (if affected) of the Residual Certificates shall be one or more persons eligible to attend and vote at such meeting holding or representing in aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes and, in the case of the Residual Certificates, holding or representing not less than 75 per

Classes of Notes then outstanding or holding or representing not less than 10 per cent. of the Residual Certificates then in issue, as applicable, for transaction of business including the considering of an Ordinary Resolution. The quorum for considering an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and representing in aggregate not less than 25 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 25 per cent. of the Residual Certificates then in issue, as applicable. The quorum for considering a Basic Terms Modification at a meeting of any affected Class or Classes of Notes or (if affected) of the Residual Certificates shall be one or more persons eligible to attend and vote at such meeting holding or representing in aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes and, in the case of the Residual Certificates, holding or representing not less than 50 per

cent. of the Residual Certificates then in issue, as applicable. cent. of the Residual Certificates then in issue, as applicable.

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 three-quarters 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 75 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes or not less than 75 per cent. in number of the holders of the 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 or the Residual Certificates other than in accordance with Condition 8.4 (*Mandatory Redemption of the Rated Notes for Taxation or Other Reasons*), Condition 13.18 (*Issuer Substitution Condition*) or Residual Certificates Condition 12.17 (*Issuer Substitution Condition*);
- to assent to any modification of the Trust Deed or any other Transaction Document which is proposed by the Issuer or any other party to any Transaction Document or any Noteholder or Certificateholder, other than those modifications which are

sanctioned by the Note Trustee without the consent or sanction of the Noteholders in accordance with the terms of the Trust Deed;

- to direct the Note Trustee to serve an Enforcement Notice;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to approve the appointment of a substitute 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 Post-Enforcement Priority of Payments and on the Residual Certificates, irrespective of the effect upon them. No Extraordinary Resolution of any other Class of Noteholders or of the Certificateholders shall take effect for any purpose while the Most Senior Class of Notes remains outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes and, in the case of Residual Certificates, the holders of all Notes ranking in priority in the 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 Post-Enforcement Priority of Payments and the holders of such subordinated Classes of Notes shall have no claim against the Note Trustee for so doing.

So long as any Notes 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 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, any Holding Company of it or any other Subsidiary of such Holding Company (each such entity a **"Relevant Person"**), in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding or in issue, except (a) for the purposes of the definition of the "Option Holder" and (b) 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 *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 and provided that in relation to a matter relating to a Basic Terms Modification any Notes or the Residual Certificates which are for the time being held by or on behalf of or for the benefit of a Relevant Person, in each case as beneficial owner, shall be deemed to remain outstanding or in issue, as applicable.

**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.

**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) all Revenue Receipts or, if in a Determination Period, any Calculated Revenue Receipts, in each case excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date, received by the Issuer:
 - (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 pursuant to the Mortgage Sale Agreement, from but excluding the Collection Period Start Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Collection Period Start Date;
- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period and any income from any Authorised Investments to be received on or prior to the Interest Payment Date;
- (c) the Rated Note Reserve Fund Available Amount;
- (d) 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*);
- (e) amounts credited to the Deposit Account on the previous Interest Payment Date in accordance with item (n) of the Pre-Enforcement Revenue Priority of Payments;
- (f) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Redemption Receipts; and
- (g) amounts applied pursuant to item (f) of the Pre-Enforcement Redemption Priority of Payments;

less:

- (h) 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 Base 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 (h) being collectively referred to herein as "**Third Party Amounts**");

- (i) 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
- (j) (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 the Non-DD 2015-3R 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 Seller to debit a sum of money on specified dates from the account of the Borrower for deposit into an account of the Seller.

"**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, received by the Issuer:
 - (i) during the immediately preceding Collection Period; or
 - (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Collection Period Start Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Collection Period Start Date;

- (b) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class Z Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date;
- (c) 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);
- (d) 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*);
- (e) during the Revolving Period, the Timed-Out Reinvestment Amount (applied on a first in, first out basis) and on the RPL Release Date, all amounts standing to the credit of the Reinvestment Principal Ledger; and
- (f) the Optional Purchase Price received by the Issuer upon sale of the Loans and their Related Security comprising the Portfolio further to exercise of the Call Option.

"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 Amounts 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, all amounts standing to the credit of the Rated Note Reserve Fund Ledger 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 mandatory redemption of the Rated Notes pursuant to Condition 8.3 (*Mandatory Redemption of the Rated Notes in Full*) or 8.4 (*Mandatory Redemption of the Rated Notes for Taxation or Other Reasons*).

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

"RPL Release Date" means the Interest Payment Date falling on the Revolving Period End Date or, if the Revolving Period End Date does not fall on an Interest Payment Date, on the immediately following Interest Payment Date.

"Timed-Out Reinvestment Amount" means, in respect of any Interest Payment Date up to but excluding the RPL Release Date, the greater of (A)(i)

the aggregate of all amounts credited to the Reinvestment Principal Ledger on an Interest Payment Date on (a) if such Interest Payment Date is at least the sixth Interest Payment Date after the Closing Date, the Closing Date and/or (b) any Interest Payment Date falling on or before the sixth Interest Payment Date prior to such Interest Payment Date, less (ii) all amounts debited from the Reinvestment Principal Ledger at any time after such date (whether as a Timed-Out Reinvestment Amount on any preceding Interest Payment Date or on any Further Loan Sale Date as Further Portfolio Initial Consideration) and (B) zero.

Summary of Priorities of Payments:

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

<u>Pre-Enforcement Revenue Priority of Payments:</u>	<u>Pre-Enforcement Redemption Priority of Payments:</u>	<u>Post-Enforcement Priority of Payments:</u>
(a) Amounts due to the Note Trustee and the Security Trustee and any Appointee thereof including charges, liabilities, fees, costs and expenses	(a) Principal Addition Amounts to be applied to meet any Senior Expenses Deficit	(a) Amounts due in respect of the Receiver, 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 Back-Up Servicer Facilitator, the Corporate Services Provider, the Issuer Account Bank and the Collection Account Bank, in each case including all fees and costs	(b) On each Interest Payment Date up to (but excluding) the RPL Release Date, all amounts not applied pursuant to item (a) above, other than an amount equal to the Timed-Out Reinvestment Amount in respect of such Interest Payment Date, to be applied in crediting the Reinvestment Principal Ledger	(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 Back-Up Servicer Facilitator, 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	(c) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class A Notes	(c) <i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class A Notes
(d) Issuer Profit Amount	(d) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class B Notes	(d) <i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class B Notes
(e) <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class A Notes	(e) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class Z Notes	(e) <i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class Z Notes
(f) Amounts to be credited to the Class A Principal Deficiency Sub-Ledger	(f) All remaining amounts to be applied as Available Revenue Receipts	(f) <i>Pro rata</i> and <i>pari passu</i> to the amounts of
(g) <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class B Notes		
(h) Amounts to be credited to the Rated Note Reserve Fund Liquidity Sub-Ledger up to the Rated Note Reserve Fund Required Liquidity Amount;		
(i) Amounts to be credited to the Class B Principal Deficiency Sub-Ledger		

- | | | |
|-----|---|--|
| (j) | Amounts to be credited to the Rated Note Reserve Fund Ledger up to the Rated Note Reserve Fund Required Amount | interest and principal due on the Subordinated Notes |
| (k) | On each Interest Payment Date, amounts to be credited to the Class Z Principal Deficiency Sub-Ledger | (g) <i>Pro rata</i> and <i>pari passu</i> to the amounts due and payable to third parties (if any) |
| (l) | <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class Z Notes | (h) All remaining amounts to be applied as Residual Payments on the Residual Certificates |
| (m) | <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Subordinated Notes | |
| (n) | 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 | |
| (o) | <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Subordinated Notes | |
| (p) | All remaining amounts to be applied as Residual 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 immediately 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 Amounts 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 Revenue Priority of Payments on such

Interest Payment Date and applied to cure such Revenue Deficit. Any Rated Note Reserve Fund Liquidity Release Amounts will be applied to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments. After the Closing Date, the Rated Note Reserve Fund will be replenished up to the Rated Note Reserve Fund Required Amount on each Interest Payment Date up to and including the Final Redemption Date from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

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.

See the section "*Credit Structure – Rated Note Reserve Fund and Rated Note Reserve Fund Ledger*";

- 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 pursuant to the Pre-Enforcement Revenue Priority of Payments (if any). The Principal Deficiency Ledger will comprise the following sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes), the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes) 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 B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and (c) third, 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 (f) and (h) and (on any Interest Payment Date other than the Call Option Redemption Date) (k) of the Pre-Enforcement Revenue Priority of Payments. See the section "*Credit Structure – Principal Deficiency Ledger*" below;

- a Reinvestment Principal Ledger will be established to record: (i) on the Closing Date an amount equal to the gross proceeds from the Notes less (A) the Initial Portfolio Initial Consideration and (B) amounts credited to the Rated Note Reserve Fund and (ii) during the Revolving Period, Available Redemption Receipts credited to the Reinvestment Principal Ledger in accordance with the Pre-Enforcement Redemption Priority of Payments. During the Revolving Period any such amounts credited to the Reinvestment Principal Ledger may then be allocated towards the purchase of Further Loans and their Related Security during the Revolving Period. Any Timed-Out Reinvestment Amounts will be applied as Available Redemption Receipts (on a first in, first out basis) in accordance with the Pre-Enforcement Redemption Priority of Payments. On the RPL Release Date, all amounts standing to the credit of the Reinvestment Principal Ledger will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments or, following the delivery of an Enforcement Notice, the Post-Enforcement Priority of Payments. See the section "*Credit Structure – Reinvestment Principal Ledger*" below;
- pursuant to item (a) of the Pre-Enforcement Redemption Priority of Payments, to the extent that, after application of the Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, 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 as Principal Addition Amounts to meet any Senior Expenses Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments. 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 any income from any Authorised Investments (see the section "*Cashflows*" for further details); and

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.

The Issuer will open a deposit account (the "**Deposit 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, 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.

TRANSACTION OVERVIEW – TRIGGERS TABLES

Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
Issuer Account Bank:	A short-term deposit rating of at least P-1 by Moody's and a 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 ").	<p>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:</p> <ul style="list-style-type: none"> (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, <p>in each case as prescribed in the Bank Account Agreement, and transfer amounts standing to the credit of relevant Issuer Accounts and all Ledgers on the relevant Issuer Accounts to the replacement Issuer Accounts.</p>
Collection Account Bank	A short-term issuer default rating of F2 by Fitch and a long-term issuer default rating of BBB+ by Fitch (the " Collection Account Bank Rating ").	<p>If the Collection Account Bank fails to maintain any of the Collection Account Bank Ratings, then the Servicer shall assist the Seller to:</p> <ul style="list-style-type: none"> (a) open a replacement collection account in the name of the Seller 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 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.

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 "*Seller 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 Seller to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:

- (a) the Seller being required to perfect 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 Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller 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 Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee;
- (e) an Insolvency Event occurring in relation to the Seller; or
- (f) it becoming unlawful in any applicable jurisdiction for the Seller to hold legal title in respect of any Loan in the Portfolio.

If the Loans and their Related Security are sold pursuant to the exercise of the Call Option, the Issuer or (if at the time the Call Option is exercised the Issuer does not hold the Whole Legal Title) the Seller, upon receipt of a direction from the Issuer and at the sole cost and expense of the Issuer, shall promptly transfer the Whole Legal Title in the Loans and their Related Security comprising the Portfolio to the Legal Title Transferee.

Revolving Period Termination Events:

The occurrence of any of the following events will constitute a Revolving Period Termination Event:

- (a) an Event of Default;
- (b) on any date, the aggregate of all Losses is greater than 5.00 per cent. of the aggregate Current Balance of all Loans in the Portfolio as of the Closing Date; or
- (c) on any date, the aggregate Current Balance of Loans in the Portfolio which are more than three monthly payments in arrears

is greater than 4.00 per cent. of the aggregate Current Balance of all of the Loans in the Portfolio on such date;

- (d) on any date, the debit balance of the Class Z Principal Deficiency Sub-Ledger is greater than 1.00 per cent. of the aggregate Current Balance of all Loans in the Portfolio on such date; or
- (e) on any Interest Payment Date, the amount standing to the credit of the Rated Note Reserve Fund is less than the Rated Note Reserve Fund Required Amount.

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 (with a copy to the Back-Up Servicer Facilitator) 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 (with a copy to the Back-Up Servicer Facilitator) 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 (with a copy to the Back-Up Servicer Facilitator) 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 to the Issuer, the Security Trustee and the Back-Up Servicer Facilitator 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 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 0.25 per cent. per annum (inclusive of VAT) on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Collection Period Start Date at the start of the immediately preceding Collection Period (the " Base Fee ").	Ahead of all outstanding Notes and Residual Certificates.	Monthly in arrear on each Interest Payment Date.
Other fees and expenses of the Issuer (including tax and audit costs).	Estimated at £100,000 each year (exclusive of VAT, where so provided in the relevant Transaction Document).	Ahead of all outstanding Notes and Residual Certificates.	Monthly in arrear on each Interest Payment Date.
Expenses related to the admission to trading of the Notes.	Estimated at €10,500 (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 value added tax ("**VAT**") is 20 per cent.

CERTAIN REGULATORY DISCLOSURES

EU Risk Retention Requirements

The Seller, as an originator for the purposes of the CRR, the AIFM Regulation and the Solvency II Regulation, will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (which, in each case, does not take into account any corresponding national measures). As at the Closing Date, such interest will comprise the Seller holding an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors as required by the text of each of paragraph (d) of Article 405(1) of the CRR and paragraph (d) of Article 51(1) of the AIFM Regulation and paragraph (d) of Article 254(2) of the Solvency II Regulation. Any change to the manner in which such interest is held will be notified to Noteholders.

As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Prospectus and to any other information provided separately (which information shall not form part of this Prospectus) and, after the Closing Date, to the monthly investor reports provided to the Noteholders pursuant to the Cash Management Agreement and published on the following website: <http://www.usbank.com/abs>.

The Seller will undertake to (i) the Arranger in the Subscription Agreement and (ii) to the Issuer and the Security Trustee in the Mortgage Sale Agreement that, for so long as any Rated Notes remain outstanding, it will:

- (a) retain a material net economic interest of not less than 5 per cent. in the nominal value of the securitisation (the "**Retained Exposures**") in accordance with Article 405 of the CRR, Article 51 of the AIFM Regulation, and Article 254 of the Solvency II Regulation;
- (b) comply with the disclosure obligations imposed on sponsor or originator credit institutions under Article 409 of Part Five of the CRR and provide to the Arranger and the Issuer access to the data and information referred to in Article 409 of Part Five of the CRR necessary to meet that disclosure obligation, subject always to any requirement of law, provided that the Seller will not be in breach of such undertaking if the Seller fails to so comply due to events, actions or circumstances beyond the Seller's control; and
- (c) not sell, hedge or otherwise mitigate (and shall procure that none of its affiliates shall sell, hedge or otherwise mitigate) the credit risk under or associated with the Retained Exposures except to the extent permitted under the CRR, the AIFM Regulation or the Solvency II Regulation.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with each of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of Title I of the Solvency II Regulation (including Article 254) and any corresponding national measures which may be relevant and none of the Issuer nor any Relevant Party makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes.

Volcker Rule

The Issuer is not, and solely after giving effect to any offering and sale of Notes and the application of the proceeds thereof will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known the "**Volcker Rule**"). In reaching this conclusion, although other statutory or regulatory exclusions and/or exemptions under the Investment Company Act of 1940, as amended (the "**Investment Company Act**") and under the Volcker Rule and its

related regulations may be available, the Issuer has relied on the determination that the Issuer would satisfy all of the elements of the exemption from the definition of “investment company” under the Investment Company Act provided by Section 3(c)(5)(C) thereunder.

For further information please refer to the Risk Factor entitled "*Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes*" and the section entitled "*The Loans*".

WEIGHTED AVERAGE LIVES OF THE NOTES

The Notes are redeemed on each Interest Payment Date in accordance with the applicable Priority of Payments. 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 and may be impacted by the purchase of Further Loans and their Related Security by the Issuer during the Revolving Period.

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, the provisions of the Conditions and Residual Certificates Conditions (as applicable), and the following additional assumptions (the "**Modelling Assumptions**"). The Class Z Notes will be repaid only following repayment in full of the Rated Notes in accordance with the relevant Priority of Payments.

Modelling Assumptions:

- (a) no Loan becomes delinquent or is enforced for so long as the Notes remain outstanding;
- (b) no Loan is required to be repurchased by the Seller, whether as a result of a breach of Loan Warranty, as a result of a Further Advance or Product Switch, as a result of the Loan being a Significant Deposit Loan, or otherwise;
- (c) no interest accrues on the Deposit Account;
- (d) 3-month LIBOR is equal to 0.58313 per cent.;
- (e) no Enforcement Notice is served on the Issuer, no Event of Default has occurred and the Security is not enforced;
- (f) the component of the consideration for the Initial Portfolio which is paid on the Closing Date by the Issuer for the Portfolio is £519,315,596.72;
- (g) the Principal Amount Outstanding of the Notes as at the Closing Date is, in the respect of the Class A Notes 83.00 per cent. and, in respect of the Class B Notes 5.40 per cent. and, in respect of the Class Z Notes 11.60 per cent. and, in respect of the Subordinated Notes, 2.90 per cent., of the aggregate Current Balance of each of the Loans in the Provisional Portfolio calculated by reference to the Current Balance of each Loan as at its Cut-Off Date;
- (h) there is no Revolving Period;
- (i) either:
 - (a) the Call Option is not exercised on or after the Optional Redemption Date; or
 - (b) the Call Option is exercised on the Optional Redemption Date;
- (j) Interest Amounts are, in respect of the Rated Notes and the Loans, determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Notes or the Current

Balance of the relevant Loan (as applicable) 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;

- (k) on each Calculation Date, senior expenses represent 0.2 per cent. of the Current Balance of the Loans;
- (l) Interest is payable on the Notes on the 12th day of each month in each year with the first Interest Payment Date falling in December 2015; and
- (m) on each Interest Payment Date, Available Revenue Receipts are sufficient to pay Interest Amounts due and payable on the Rated Notes in full.

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.

**(Assuming Issuer Call on Optional Redemption Date)
Possible WAL (in years) of:**

CPR	Class A Notes	Class B Notes
0.0%	4.87	5.02
5.0%	4.20	5.02
8.0%	3.83	5.02
10.0%	3.59	5.02
15.0%	3.06	5.02

**(Assuming no Issuer Call on or after Optional Redemption Date)
Possible WAL (in years) of:**

CPR	Class A Notes	Class B Notes
0.0%	16.42	24.95
5.0%	8.71	20.73
8.0%	6.37	17.22
10.0%	5.33	14.87
15.0%	3.71	10.72

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 and Mandatory Redemption " above.

EARLY REDEMPTION OF THE RATED NOTES

The Option Holder may exercise the Call Option granted by the Issuer pursuant to the Deed Poll, requiring (or, where the Option Holder is the Seller, requesting) the Issuer to sell the Portfolio. The Issuer is not permitted to dispose of the Portfolio in any other circumstances (other than in relation to an enforcement of the Security or the repurchase of a Loan and its Related Security by the Seller pursuant to the Mortgage Sale Agreement).

Pursuant to and subject to the terms of the Deed Poll, the Issuer will grant to the Option Holder the following rights (collectively, the "**Call Option**"), which may be exercised at any time on or after the Optional Purchase Commencement Date:

- (a) the right to require (or, where the Option Holder is the Seller, request) the Issuer to sell and transfer to the Option Holder or a Third Party Purchaser (as identified in the Exercise Notice, the "**Beneficial Title Transferee**") the beneficial title to all (but not some) of the Loans and their Related Security comprising the Portfolio (the "**Whole Beneficial Title**") in consideration for the Optional Purchase Price; and
- (b) the right to require (or, where the Option Holder is the Seller, request) the Issuer to transfer the legal title to all (but not some) of the Loans and their Related Security comprising the Portfolio (the "**Whole Legal Title**"), or if, at the time the Call Option is exercised, the Issuer does not hold legal title, the right to require the Issuer to procure that the Seller transfers legal title, to the Option Holder, a Third Party Purchaser or any nominee of the Option Holder specified as such in the Exercise Notice (as identified in the Exercise Notice, the "**Legal Title Transferee**").

The Call Option may be exercised at any time on or after the Optional Purchase Commencement Date by notice from the Option Holder to the Issuer, with a copy to the Security Trustee, the Seller and each of the Rating Agencies, (such notice, an "**Exercise Notice**") that the Option Holder wishes to exercise the Call Option, for effect on an Interest Payment Date following the service of the Exercise Notice (the Interest Payment Date identified as the date on which the purchase by the Beneficial Title Transferee of the Whole Beneficial Title and (if applicable) the transfer of the Whole Legal Title to the Legal Title Transferee is expected to be completed pursuant to the terms of the Deed Poll being the "**Optional Purchase Completion Date**").

The sale of the Whole Beneficial Title and (if applicable) the transfer of the Whole Legal Title pursuant to the Call Option shall also be subject to the following conditions:

- (a) either:
 - (i) the Beneficial Title Transferee and (if applicable) the Legal Title Transferee is resident for tax purposes in the United Kingdom; or
 - (ii) the Issuer, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs) ("**Tax Advice**"), is satisfied that sale of the Whole Beneficial Title and (if applicable) transfer of the Whole Legal Title will not create or increase any liabilities of the Issuer to United Kingdom tax or any tax imposed by the jurisdiction of the Beneficial Title Transferee and (if applicable) the Legal Title Transferee. The costs relating to such Tax Advice shall be borne by the Option Holder;

- (b) either:
- (i) the Legal Title Transferee has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any approvals, authorisations, consents, permissions and registrations required to be maintained under the FSMA and any rules and regulations of the FCA) required to administer residential mortgage loans such as the Loans and their Related Security comprising the Portfolio (the "**Relevant Authorisations**"); or
 - (ii) the Beneficial Title Transferee has appointed a servicer who has the Relevant Authorisations and that the Seller has confirmed in writing that it will hold legal title to the Loans and their Related Security comprising the Portfolio on trust for Beneficial Title Transferee; and
- (c) the Beneficial Title Transferee shall not be permitted to transfer the beneficial interest in any of the Loans and their Related Security comprising the Portfolio to a further purchaser until the transfer of the Whole Legal Title is perfected unless such transfer of beneficial interest is made to an entity which is within the charge to UK corporation tax.

Optional Purchase Price

The purchase price for the Loans and their Related Security comprising the Portfolio pursuant to the Call Option shall be 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 Collection Period Start Date immediately preceding the Optional Purchase Completion 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 (o) (inclusive) of the Pre-Enforcement Revenue Priority of Payments and items (a) to (e) (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 (including, for the avoidance of doubt, any amounts standing to the credit of the Rated Note Reserve Fund (to be applied as Available Redemption Receipts on the Optional Purchase Completion Date)),

in each case, plus (i) the Issuer's costs and expenses associated with transferring its interests in any Loan and its Related Security to the Option Holder or its nominee (if any) and (ii) an amount agreed between the Issuer and the Option Holder in respect of costs anticipated to be incurred by the Issuer after the Optional Purchase Completion Date (the "**Optional Purchase Price**").

In connection with the exercise of the Call Option, the Beneficial Title Transferee will agree with the Issuer to (i) deposit an amount equal to the Optional Purchase Price in either an escrow account in the name of the Beneficial Title Transferee or in any other account as may be agreed between the Issuer and the Beneficial Title Transferee; or (ii) provide irrevocable payment instructions for an amount equal to the Optional Purchase Price for value on the Optional Purchase Completion Date to the Deposit Account or such other account as may be agreed between the Issuer and Beneficial Title Transferee, provided that such deposit shall be made or irrevocable payment instructions shall be given no later than (x) two Business Days prior to the Optional Purchase Completion Date or (y) such other date as the Issuer, at its sole discretion and the Beneficial Title Transferee may agree, provided further that the Optional Purchase Price or irrevocable payment instructions (as applicable) must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Condition 8.3 (*Mandatory Redemption of the Rated Notes in Full*) or 8.4 (*Mandatory Redemption of the Rated Notes for Taxation or Other Reasons*) (as applicable); and/or (iii) take any other action as may be agreed by the Beneficial Title Transferee, the Issuer and the Security Trustee in relation to the payment of the Optional Purchase Price.

At the cost of the Option Holder, the Issuer shall serve, or if, at the time the Call Option is exercised, the Issuer does not hold the Whole Legal Title, direct the Seller to serve all relevant notices and take all steps (including carrying out requisite registrations and recordings) in order to effectively vest the Whole Legal Title in the Legal Title Transferee, in each case subject to the terms and conditions set out in the Deed Poll, such notices to be given promptly after the Optional Purchase Completion Date.

Redemption of the Notes and the cancellation of the Residual Certificates

On the Optional Purchase Completion Date, the Optional Purchase Price will be applied as Available Redemption Receipts (as applicable) in accordance with the Pre-Enforcement Revenue Priority of Payments and will result in the Notes being redeemed in full.

Any Revenue Receipts or Redemption Receipts received by the Issuer from and including the Collection Period Start Date immediately prior to the Optional Purchase Completion Date to and including the Optional Purchase Completion Date (such amounts being "**Optional Purchase Collections**") will be payable to or for the account of the Beneficial Title Transferee and the Issuer shall transfer all such amounts to or for the account of the Beneficial Title Transferee on the Optional Purchase Completion Date, after the payment of which the Residual Certificates will be cancelled.

In this Prospectus:

"**Deed Poll**" means the deed poll dated on or about the Closing Date, executed by the Issuer, in favour of the Option Holder from time to time.

"**Option Holder**" means (i) (where the Residual Certificates are represented by Definitive Residual Certificates) the holder of greater than 50 per cent. of the Residual Certificates then in issue or (where the Residual Certificates are represented by the Global Residual Certificate) the Indirect Participant who holds the beneficial interest in more than 50 per cent. of the Residual Certificates then in issue or (ii) where no person holds (where the Residual Certificates are represented by Definitive Residual Certificates) greater than 50 per cent. of the Residual Certificates then in issue or (where the Residual Certificates are represented by the Global Residual Certificate) beneficial interest in more than 50 per cent. of the Residual Certificates then in issue, the person who holds the greatest number of Residual Certificates then in issue or, as applicable, beneficial interest in the greatest number of Residual Certificates then in issue.

"**Optional Purchase Commencement Date**" means the earliest of:

- (a) the Collection Period Start Date immediately preceding the Optional Redemption Date; or
- (b) any Collection Period Start Date on which 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 Notes on the Closing Date; or
- (c) any Business Day following the occurrence of a Redemption Event.

"**Third Party Purchaser**" means a third party purchaser of the beneficial title to the Loans and their Related Security as nominated by the Option Holder in the Exercise Notice.

USE OF PROCEEDS

On the Closing Date, the Issuer will use the gross proceeds of the Notes to:

- (a) pay the Initial Portfolio Initial Consideration payable by the Issuer for the Initial Portfolio to be acquired from the Seller on the Closing Date;
- (b) in respect of the Subordinated Notes only, establish the Rated Note Reserve Fund on the Closing Date; and
- (c) credit to the Reinvestment Principal Ledger an amount (if any) equal to the gross proceeds of the Notes less the amounts applied in accordance with paragraph (a) and (b) above.

RATINGS

The Rated Notes, on issue, are expected to be assigned the following ratings by Fitch and Moody's. The Class Z Notes, the Subordinated Notes and the Residual Certificates 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	Moody's
Class A Notes	AAAsf	Aaa(sf)
Class B Notes	AAsf	Aa2(sf)
Class Z Notes	Not rated	Not rated
Subordinated Notes	Not rated	Not rated
Residual Certificates	Not rated	Not rated

The ratings assigned to the Rated Notes by both Fitch and Moody's address, *inter alia* (a) the likelihood of full and timely payment to the holders of the Class A Notes, the Class B Notes and (b) 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. The ratings assigned to the Rated Notes by Moody's also address, *inter alia*, the expected loss to a Noteholder in proportion to the Principal Amount Outstanding on the Closing Date of the Class of Notes held by such Noteholder on 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 September 2015 (registered number 9769500) 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 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 issue 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 2016.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the Issuer Profit Ledger, the Reinvestment Principal Ledger (other than Timed-Out Reinvestment Amounts) and the Rated Note Reserve Fund Liquidity Sub-Ledger).

Directors

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

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

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

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

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

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

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 9 September 2015 (registered number 9769427) 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:

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

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
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,	Director

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

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

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

Holdings has no employees.

CHARTER COURT FINANCIAL SERVICES LIMITED

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

CCFS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 494549 for these activities. It is a Member of the Council of Mortgage Lenders and the Intermediary Mortgage Lenders Association.

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

CCFS has servicer ratings of RSS2 and RPS2- 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 retail savings products, 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, ISSUER ACCOUNT BANK, AGENT BANK AND PRINCIPAL PAYING AGENT

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.

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 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 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 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 (together with its subsidiary undertakings, the "**Bank Group**") is engaged in personal banking, credit cards, corporate and investment banking, wealth and investment management services. The Bank Group is structured around four core businesses: Personal and Corporate Banking, Barclaycard, Africa Banking and the Investment Bank. Businesses and assets which no longer fit the Bank Group's strategic objectives, are not expected to meet certain returns criteria and/or offer limited growth opportunities to Barclays PLC (together with its subsidiary undertakings, the "**Group**"), have been reorganised into Barclays Non-Core. These assets are designated for exit or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC is the ultimate holding company of the Group.

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

Based on the Bank Group's audited financial information for the year ended 31 December 2014¹, the Bank Group had total assets of £1,358,693m (2013: £1,344,201m), total net loans and advances² of £470,424m (2013: £474,059m), total deposits³ of £486,258m (2013: £487,647m), and total shareholders' equity of £66,045m (2013: £63,220m) (including non-controlling interests of £2,251m (2013: £2,211m)). The profit before tax from continuing operations of the Bank Group for the year ended 31 December 2014 was £2,309m (2013: £2,885m) after credit impairment charges and other provisions of £2,168m (2013: £3,071m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2014.

Based on the Bank Group's unaudited financial information for the six months ended 30 June 2015, the Bank Group had total assets of £1,197,555m (30 June 2014: £1,315,492m), total net loans and advances of £475,826m (30 June 2014: £486,385m), total deposits of £494,423m (30 June 2014: £505,873m), and total shareholders' equity of £65,710m (30 June 2014: £65,119m) (including non-controlling interests of £2,153m (30 June 2014: £2,130m)). The profit before tax from continuing operations of the Bank Group for the six months ended 30 June 2015 was £3,147m (30 June 2014: £2,504m) after credit impairment charges and other provisions of £973m (30 June 2014: £1,086m). The financial information in this paragraph is extracted from the unaudited consolidated financial statements of the Bank for the six months ended 30 June 2015.

¹ As noted in the financial statements of the Bank for the year ended 31 December 2014, the prior year (2013) has been restated to reflect the IAS 32 (revised) standard.

² Total net loans and advances include balances relating to both bank and customer accounts

³ 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 Further Loans that may also comprise the 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 may procure the selection of the Further Loans for transfer into the Portfolio, using a system containing defined data on each of the qualifying loans. This system allows the setting of exclusion criteria, among other things, corresponding to relevant Loan Warranties that the Seller will make in the Mortgage Sale Agreement in relation to the Loans and the Further Purchase Conditions in relation to any Further Loans and their Related Security sold to the Issuer on a Further Loan Sale Date. 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 Portfolio are representative of the Loans meeting the selection criteria which the Seller holds immediately prior to the sale of the Initial Portfolio and the Further Loans and their Related Security (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 relevant Further Loan Sale Date (in respect of the relevant Further Loans and their Related Security), 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 any Further Loan Sale Date.

The Portfolio

The Portfolio will comprise loans advanced to the Borrowers upon the security of residential property situated in England, Wales or Scotland originated by CCFS under its trading name of Precise Mortgages, such loans acquired by the Issuer 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. Beneficial title to certain of the Loans may have been sold by CCFS to a warehouse vehicle from time to time, but will be re-purchased by CCFS on or prior to the Closing Date, prior to being sold to the Issuer.

Origination of the Portfolio

The Initial Portfolio comprises, and the Further Portfolio will comprise 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**") 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; 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.

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.

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

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 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 Seller 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 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 of "*Overpayments*" 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 Seller 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 Seller 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 or any Further Loan Sale Date, the Seller 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 Seller 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 assignments 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 the 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 Seller 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 Seller or by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller 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 Seller 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 Seller; or
- (f) it becoming unlawful in any applicable jurisdiction for the Seller 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 Seller has granted the Issuer and the Security Trustee an irrevocable power of attorney to take certain action in the name of the Seller (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 is required 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 the extent to which 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 Seller, 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, the Seller 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 Seller or the Servicer (on behalf of the Seller) 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 Seller 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 the Seller:

- studio flats;
- property where commercial usage exceeds 20 per cent.;
- flats or maisonettes in blocks exceeding 20 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.

In relation to its residential lending, the Seller 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.

The Seller 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 a property where it is an owner-occupied loan and within six 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 single loan amount permitted by the Seller is £2,000,000. The maximum term is 30 years. The minimum age of borrowers at the time of application is 21 years old for owner-occupied loans and 25 years old for Buy-To-Let Loans. The maximum age of borrowers at the maturity of the Loan will not exceed 75 years old for owner-occupied loans and 85 years old for Buy-To-Let Loans. 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 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. for owner-occupied loans and 80 per cent. for Buy-To-Let Loans (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.).

Assessment of Rental Income

In respect of the Buy-To-Let Loans only, the valuer will be instructed to assess the property on an unfurnished basis. The underwriter will carry out a desk-top review to satisfy themselves that the rental figure received is reasonable.

If the property is not currently in a suitable condition to be let, the application will be declined.

Rental cover is calculated on an interest-only basis at the higher of the pay rate / reversion rate of the product selected. This has to be a minimum rental calculation of 125%.

For remortgages of Buy-To-Let properties, an existing assured shorthold tenancy or, as applicable, a short assured tenancy can be accepted as proof of rental income provided it is supported by three months bank statements evidencing rental receipts. These bank statements must precede the date of request. Additionally the existing assured shorthold tenancy or, as applicable, a short assured tenancy must comply with the letting criteria – for example, if three people occupy a property, it would be expected to see one tenancy agreement for all of them. No discretion applies.

Letting Criteria

In England & Wales, the property may be let under a single assured shorthold tenancy or a contractual / common law tenancy (i.e. a letting to a company or where annual rent is greater than £100,000).

In Scotland, the property may be let under a single short assured tenancy.

Tenancies are subject to the solicitor satisfying themselves that there is a written tenancy agreement which restricts the tenant from:

- (a) sharing, assigning, sub-letting, multi-letting, charging or parting with possession of all or any part of the property
- (b) using the property other than as a private dwelling house
- (c) making alterations to the property or allowing the property to fall into disrepair.

The fixed term must be no more than 12 months.

Applications where the tenants are family members of the borrower or where the tenants have or may acquire an overriding interest in the property will not be considered.

Where it is established that the property is not already let, appropriate condition must be imposed on the offer of a Buy-To-Let Loan to ensure that the conditions of the future tenancy comply with the criteria.

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 Seller 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 2015-3R Collection Account and (iii) the Non-DD Collection Account, and any other replacement or additional collection account of the Seller in respect of which amounts are received in respect of the Loans and their Related Security in the Portfolio.

"Collections" means Revenue Receipts and Redemption Receipts.

"DD Collection Account" means the account held in the name of the Seller 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 2015-3R Collection Account" means the account held in the name of the Seller 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 Seller 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 alios*, 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 Seller), 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 voluntary possession, whereby the Borrower voluntarily surrenders possession of the property possession (seldom done in practice), and, second, by obtaining a court order.

If a mortgagee or, as applicable, heritable creditor takes voluntary 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

At the date of completion of the relevant Loan, the relevant conveyancer confirms that they have made reasonable enquiries to ensure that buildings insurance has been arranged for the property from no later than the date of completion of the relevant Loan. After the date of completion of the relevant Loan, to the extent that a Borrower does not maintain buildings insurance, the Seller maintains the following forms of contingency insurance cover:

- **"Properties in Possession Cover"**, being the block properties in possession insurance policy of the Seller, written by Royal Sun Alliance, for any possessed Properties;
- **"Lender Interest Only Cover"**, being a policy of the Seller written by Royal Sun Alliance, whereby the Seller (or the Servicer on its behalf) places Borrowers on such Lender Interest Only Cover when the Seller 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 Seller, written by Royal Sun Alliance, covering all loans originated by the Seller, 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 Seller 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 Seller 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 Seller and the Servicer – please see further the section of this Prospectus headed "*Summary of the Key Transaction Documents – Servicing Agreement*");
- (c) diversification of credit portfolios taking into account the Seller'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 Seller in a provisional portfolio (the "**Provisional Portfolio**") and extracted from the systems of the Seller in respect of each loan in the Provisional Portfolio on the Cut-Off Date relating to such loan.

The Provisional Portfolio consisted of 3,012 loans originated by the Seller between 24 May 2013 and 28 October 2015 and secured over properties located in England, Wales and/or Scotland. The aggregate Current Balance of the loans in the Provisional Portfolio as at the Final Cut-Off Date, calculated by reference to the current balance of each loan as at its Cut-Off Date, was £519,315,596.72. 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 (i) repayments and redemptions of loans in the Provisional Portfolio from the relevant Cut-Off Date to the Closing Date, (ii) removal of any loans that do not comply with the Loan Warranties as at the Closing Date and (iii) the purchase by the Issuer of Further Loans and their Related Security during the Revolving Period. If loans selected for the Portfolio are repaid in full between 1 November 2015 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 each loan in the Provisional Portfolio as at its Cut-Off Date, which includes all principal and accrued interest for the loans in the Provisional Portfolio.

Summary table of the Provisional Portfolio

Cut-Off Date:	30 September 2015 for loans originated on or prior to 30 September 2015, and as at the date of the origination for loans originated after 30 September 2015 but prior to 28 October 2015
Final Cut-Off Date:	28 October 2015
Current Balance (£):	£519,315,596.72
Number of accounts*:	3,012
Average account balance (£):	£172,415.54
First legal mortgage / first ranking standard security %:	100.00%
Weighted average Original Loan to Value Ratio %:	71.77%
Weighted average Current Loan to Value Ratio %:	71.74%
Weighted average interest rate %:	4.68%
Weighted average spread over 3-month LIBOR:	4.27%
Interest-only Loans %:	61.20%
Interest-only, Buy-To-Let Loans (as % of Current Balance):	61.20%
Interest-only Loans for owner-occupied properties (as % of Current Balance):	0.00%
Repayment Loans %:	38.80%
Weighted average seasoning (months)*:	3
Weighted average remaining term (years)*:	22
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):	42.10%
Owner-occupied properties (as % of Current Balance):	35.82%
Buy-To-Let Loans (as % of Current Balance):	64.18%
Right to buy Loans (as % of Current Balance):	0.00%
First time buyer (as % of Current Balance):	10.52%
Home purchase Loans (as % of Current Balance):	49.14%
Refinance Loans (as % of Current Balance):	50.86%

Current Balances

The following table shows the distribution of Loans by their Current Balance as determined in respect of each Loan on its Cut-Off Date.

Current Balance	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
0 < x <= 70,000	20,541,075.28	3.96	350	11.62
70,000 < x <= 90,000	29,783,462.49	5.74	374	12.42
90,000 < x <= 110,000	41,910,121.99	8.07	419	13.91
110,000 < x <= 130,000	38,796,911.53	7.47	325	10.79
130,000 < x <= 150,000	37,789,954.07	7.28	271	9.00
150,000 < x <= 170,000	28,827,639.63	5.55	181	6.01
170,000 < x <= 190,000	32,162,923.74	6.19	180	5.98
190,000 < x <= 210,000	31,709,851.57	6.11	159	5.28
210,000 < x <= 230,000	25,486,462.24	4.91	116	3.85
230,000 < x <= 600,000	196,381,640.17	37.82	589	19.56
> 600,000	35,925,554.01	6.92	48	1.59
Totals	519,315,596.72	100.00	3,012	100.00

* As at the Final Cut-Off Date.

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 each Loan as at its Cut-Off Date divided by the original valuation of the Property securing that Loan.

OLTV Ratios (%)	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
0 < x <= 58	59,597,991.28	11.48	455	15.11
58 < x <= 60	8,269,551.57	1.59	41	1.36
60 < x <= 62	12,935,349.21	2.49	71	2.36
62 < x <= 64	10,812,554.21	2.08	56	1.86
64 < x <= 66	13,962,285.33	2.69	67	2.22
66 < x <= 68	19,205,129.26	3.70	91	3.02
68 < x <= 70	20,567,351.25	3.96	101	3.35
70 < x <= 72	61,990,133.06	11.94	213	7.07
72 < x <= 74	29,453,159.38	5.67	128	4.25
74 < x <= 76	40,424,833.30	7.78	227	7.54
76 < x <= 78	105,252,805.77	20.27	609	20.22
78 < x <= 80	13,056,246.09	2.51	80	2.66
80 < x <= 82	62,261,013.40	11.99	436	14.48
82 < x <= 84	17,660,445.42	3.40	116	3.85
84 < x <= 86	30,712,850.48	5.91	185	6.14
> 86	13,153,897.71	2.53	136	4.52
Totals	519,315,596.72	100.00	3,012	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 its Cut-Off Date by the original valuation of the Property securing that Loan.

CLTV Ratios (%)	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
0 < x <= 58	59,997,510.68	11.55	459	15.24
58 < x <= 60	8,929,032.86	1.72	43	1.43
60 < x <= 62	12,477,175.13	2.40	71	2.36
62 < x <= 64	10,983,265.05	2.11	56	1.86
64 < x <= 66	13,571,511.60	2.61	65	2.16
66 < x <= 68	19,039,817.62	3.67	90	2.99
68 < x <= 70	21,497,063.48	4.14	104	3.45
70 < x <= 72	61,443,468.74	11.83	212	7.04
72 < x <= 74	29,367,382.54	5.66	128	4.25
74 < x <= 76	40,014,752.70	7.71	226	7.50
76 < x <= 78	105,790,657.52	20.37	609	20.22
78 < x <= 80	14,799,597.23	2.85	86	2.86
80 < x <= 82	59,334,700.36	11.43	422	14.01
82 < x <= 84	19,004,392.69	3.66	125	4.15
84 < x <= 86	30,176,901.38	5.81	188	6.24
> 86	12,888,367.14	2.48	128	4.25
Totals.....	519,315,596.72	100.00	3,012	100.00

Geographical distribution

The following table shows the regional distribution of Properties securing the Loans throughout England, Wales and Scotland (the region of a Property in respect of a Loan determined as at the Cut-Off Date of such Loan).

Region	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
East Anglia	56,685,779.68	10.92	335	11.12
East Midlands	26,280,092.58	5.06	227	7.54
South East Inc London	285,317,134.36	54.94	1,110	36.85
North	9,383,076.21	1.81	90	2.99
North West	41,463,144.51	7.98	398	13.21
Scotland	10,404,472.89	2.00	97	3.22
South West	31,401,773.78	6.05	219	7.27
Wales	11,253,631.58	2.17	108	3.59
West Midlands	28,432,351.74	5.47	246	8.17
Yorks and Humber	18,694,139.39	3.60	182	6.04
Totals	519,315,596.72	100.00	3,012	100.00

Month of origination

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

Month of origination	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
May-2013	137,159.65	0.03	1	0.03
Sep-2013	95,857.03	0.02	1	0.03
Sep-2014	162,515.92	0.03	1	0.03
Oct-2014	117,720.77	0.02	1	0.03
Nov-2014	1,490,175.06	0.29	11	0.37
Dec-2014	1,744,904.30	0.34	11	0.37
Jan-2015	1,237,033.59	0.24	9	0.30
Feb-2015	14,845,877.74	2.86	109	3.62
Mar-2015	19,157,772.36	3.69	144	4.78
Apr-2015	19,501,270.19	3.76	140	4.65
May-2015	19,109,729.75	3.68	135	4.48
Jun-2015	64,299,331.96	12.38	386	12.81
Jul-2015	102,648,025.47	19.77	566	18.79
Aug-2015	92,919,778.95	17.89	511	16.97
Sep-2015	100,300,092.08	19.31	546	18.13
Oct-2015	81,548,351.90	15.70	440	14.61
Totals	519,315,596.72	100.00	3,012	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 the Final Cut-Off Date.

Years to maturity	Aggregate Current Balance as at the Final Cut-Off Date (£)	% of total	Number of Loans	% of total
0 < x <= 15	99,321,910.02	19.13	594	19.72

Years to maturity	Aggregate Current Balance as at the Final Cut-Off Date (£)	% of total	Number of Loans	% of total
15 < x <= 17	22,774,841.09	4.39	145	4.81
17 < x <= 20	92,192,428.97	17.75	522	17.33
20 < x <= 22	20,470,343.69	3.94	116	3.85
22 < x <= 24	16,674,025.48	3.21	94	3.12
24 < x <= 26	170,862,929.43	32.90	911	30.25
26 < x <= 28	12,364,403.57	2.38	75	2.49
28 < x <= 30	84,654,714.47	16.30	555	18.43
Totals	519,315,596.72	100.00	3,012	100.00

Interest rate types

The following table shows the distribution of the interest rate types of the Loans (the interest type of each Loan determined as at its Cut-Off Date).

Product type	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
Fixed Rate Loan reverting to LIBOR	251,266,707.74	48.38	1,821	60.46
Floating Rate Loan linked to LIBOR	268,048,888.98	51.62	1,191	39.54
Totals	519,315,596.72	100.00	3,012	100.00

Current interest rate

The following table shows the distribution of Loans by applicable interest rate as at each Cut-Off Date.

Interest rate (%)	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
3.00 < x <= 3.50	2,609,487.65	0.50	11	0.37
3.51 < x <= 4.00	204,607,183.58	39.40	758	25.17
4.00 < x <= 4.50	71,071,614.03	13.69	515	17.10
4.51 < x <= 5.00	62,953,778.41	12.12	403	13.38
5.00 < x <= 5.50	63,891,795.45	12.30	460	15.27
5.51 < x <= 6.00	46,842,869.82	9.02	341	11.32
> 6.00	67,338,867.78	12.97	524	17.40
Totals	519,315,596.72	100.00	3,012	100.00

Buy-To-Let Interest Cover Ratio

The following table shows the distribution of BTL interest cover ratio as at each Cut-Off Date.

BTL Interest Cover Ratio (%)	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
<= 1.25	510,839,383.96	98.37	2,910	96.61
1.25 < x <= 1.50	4,891,715.17	0.94	52	1.73
1.51 < x <= 1.75	1,786,367.77	0.34	22	0.73
1.75 < x <= 2.00	721,572.22	0.14	8	0.27
2.00 < x <= 2.25	250,680.60	0.05	4	0.13
2.25 < x <= 2.50	203,912.72	0.04	4	0.13

BTL Interest Cover Ratio (%)	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
2.51 < x <= 2.75	97,364.13	0.02	1	0.03
2.75 < x <= 3.00	140,074.38	0.03	2	0.07
3.00 < x <= 3.25	99,911.46	0.02	3	0.10
> 3.25	284,614.31	0.05	6	0.20
Totals	519,315,596.72	100.00	3,012	100.00

Reversion Date

The following table shows the distribution of reversion dates as at each Cut-Off Date.

Reversion Date	Aggregate Current Balance (£)	% of total	Number of Loans	% of total
<= 2014 (Jul-Dec)	141,184,254.93	27.19	401	13.31
2015 (Jan-Jun)	233,016.68	0.04	2	0.07
2016 (Jan-Jun)	170,534.11	0.03	1	0.03
2016 (Jul-Dec)	31,489,806.27	6.06	241	8.00
2017 (Jan-Jun)	133,697,348.83	25.74	960	31.87
2017 (Jul-Dec)	197,209,202.75	37.97	1,287	42.73
2018 (Jan-Jun)	252,567.94	0.05	1	0.03
2019 (Jul-Dec)	195,471.93	0.04	3	0.10
2020 (Jan-Jun)	6,329,762.31	1.22	47	1.56
2020 (Jul-Dec)	6,738,222.05	1.30	55	1.83
2021 (Jan-Jun)	844,964.57	0.16	6	0.20
2021 (Jul-Dec)	970,444.35	0.19	8	0.27
Totals	519,315,596.72	100.00	3,012	100.00

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 Issuer, the Security Trustee and the Servicer (the "**Mortgage Sale Agreement**"), on (i) the Closing Date and (ii) any Further Loan Sale Date the Seller shall (in consideration for the Initial Portfolio Initial Consideration or the Further Portfolio Initial Consideration (as applicable) and the Residual Payments by way of deferred consideration):

- (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) hold the portfolio of Scottish residential mortgage loans each secured by a Scottish Mortgage and, where applicable, other Related Security (the "**Scottish Loans**") on trust under a Scottish Declaration of Trust 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 Portfolio) a Scottish Declaration of Trust dated (in respect of the Initial Portfolio) the Closing Date or (in respect of the Further Portfolio) dated the relevant Further Loan 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 Initial Portfolio Consideration due to the Seller in respect of the sale of the Initial Portfolio shall be:

- (a) the Initial Portfolio Initial Consideration, which is due and payable on the Closing Date; and
- (b) the deferred consideration consisting of the Residual Payments payable in respect of the Initial Portfolio 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*" and "*Cashflows – Distributions following the service of an Enforcement Notice on the Issuer*" below.

In addition, the Seller may offer, on any Business Day during the Revolving Period, to sell Further Loans to the Issuer on a Further Loan Sale Date. The Issuer will pay the Further Portfolio Initial Consideration for the Further Loans and their Related Security (as described below) using amounts standing to the credit of the Reinvestment Principal Ledger. The Issuer will not be entitled to use any other funds available to it to purchase the Further Loans and their Related Security from the Seller. The Further Portfolio Consideration due to the Seller in respect of the sale of Further Loans and their Related Security is the aggregate of:

- (a) an amount equal to the Current Balance of such Further Loans and their Related Security on the first day of the calendar month in which the relevant Further Loan Sale Date occurs, such "**Further Portfolio Initial Consideration**" being due and payable on the relevant Further Loan Sale Date; and

- (b) the deferred consideration in respect of the Further Portfolio consisting of the Residual Payments 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 Seller shall transfer to the Issuer within two 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 November 2015 to (but excluding) the Closing Date and within two Business Days of a Further Loan Sale Date (if any), all Collections received on the Further Loans and their Related Security sold on that date from (and including) the Cut-Off Date immediately preceding such Further Loan Sale Date to (but excluding) such Further Loan 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, assignment, 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 Seller 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 Seller on or before the 20th Business Day after any of the following Perfection Events occurs:

- (a) the Seller 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 Seller or by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller 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 Seller 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 Seller; or
- (f) it becoming unlawful in any applicable jurisdiction for the Seller 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) above inclusive being a "**Perfection Event**").

If the Loans and their Related Security are sold pursuant to the exercise of the Call Option, the Issuer or (if at the time the Call Option is exercised the Issuer does not hold the Whole Legal Title) the Seller, upon receipt of a direction from the Issuer and at the sole cost and expense of the Issuer, shall promptly transfer the Whole Legal Title in the Loans and their Related Security comprising the Portfolio to the Legal Title Transferee.

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 Seller or the Servicer (on behalf of the Seller) 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 Seller 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 Seller 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 Seller from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Residential Mortgage Lender and which has been approved by the relevant officers of the Seller.

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 Loans and their Related Security) on the relevant Further Loan Sale Date (if any). 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 relevant Further Loan Sale Date (if any) (as applicable), the Loan Warranties (described below) will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day, except for warranty (bbb) below, which will be given on the date falling one calendar month following the Closing Date.

The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "**Loan Warranties**") include, *inter alia*, (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 originated by the Seller 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 relevant Further Loans and their related Security) set out in the relevant 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 relevant Further Loans and their Related Security on the relevant Further Loan 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 Seller's prior consent was obtained);
- (d) all of the Borrowers are individuals and were aged 21 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, except for Loans that comprise the Initial Portfolio and were originated on or after 23 October 2015;
- (h) no Borrower is an employee or director of the Seller;
- (i) each Loan is either a Fixed Rate Loan or a Floating Rate Loan;
- (j) each Loan has a term ending no later than October 2045;
- (k) no Loan is a Flexible Loan;

- (l) the Mortgage Conditions for each Loan do not require the Seller to agree to any Further Advance, Product Switch or Port;
- (m) the Mortgage Conditions for each Loan do not permit Payment Holidays;
- (n) as at (in respect of the Initial Portfolio) 1 November 2015 and (in respect any Further Loans) the Cut-Off Date immediately preceding the relevant Further Loan 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 Seller 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 Seller (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 by the FSMA as a regulated credit agreement under article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) or treated as such, or, to the extent that it is so regulated or partly regulated or treated as such, the Seller has complied with all of the relevant legal requirements of, and procedures set out in, the CCA or the FSMA and all secondary legislation made pursuant thereto and the FCA handbook, as applicable;
- (s) no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of sections 140A to 140C of the CCA;
- (t) in relation to any leasehold Property, in any case where the Seller 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 Seller 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 more than £25,001 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 Seller 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 Seller: (i) instructed the Seller'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 Seller as are set out in the instructions which the Seller 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) all of the Properties are residential properties located in England, Wales or Scotland;
- (y) 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;
- (z) 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;
- (aa) the Seller has instructed its solicitors to take all steps necessary to perfect the Seller's title to each Mortgage with all due diligence and there are no cautions, notices, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;
- (bb) the Seller 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;
- (cc) 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;
- (dd) so far as 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 Seller as

residing or being about to reside in a Property subject to a Mortgage, is either (i) the relevant Borrower or (ii) 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 ;

- (ee) 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);
- (ff) 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 Seller or the Servicer (on behalf of the Seller) or its solicitors or agents or 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 Seller or the Servicer or its solicitors or agents;
- (gg) the Seller has legal title and good and marketable equitable title to or, in the case of the Scottish Loans, is the absolute unencumbered beneficial owner of, to 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 Seller as proprietor or heritable creditor of the relevant Mortgage;
- (hh) the Seller has not received written notice and is not aware of any litigation or claim which may have a material adverse effect on the Seller's title to any Loan or Related Security;
- (ii) the Seller 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;
- (jj) the Seller has at all relevant times held, and continue to hold a registration under the Data Protection Act 1998 or equivalent;
- (kk) the Seller 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;
- (ll) 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;
- (mm) the Seller or the Servicer has 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 Seller or the Servicer;
- (nn) the Seller 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;
- (oo) the Seller 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;

- (pp) so far as the Seller is aware, neither it nor any of its 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;
- (qq) 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;
- (rr) no Loan or Related Security is cancellable under the Financial Services (Distance Marketing) Regulations (2004) (as amended) or under any other applicable law;
- (ss) 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;
- (tt) the brochures, application forms, offers, offer conditions and marketing material distributed by the Seller 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 (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;
- (uu) 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;
- (vv) other than with respect to Monthly Instalments (subject to Loan Warranty (n)), 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 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;
- (ww) in relation to the sale of the Further Loans and their Related Security only, the Further Purchase Conditions have been met on the relevant Further Loan Sale Date;
- (xx) 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;
- (yy) no Loan or its Related Security is subject to any right of rescission, set-off, lien, counterclaim or defence;
- (zz) no Loan is a Significant Deposit Loan or a Self-certified Loan;
- (aaa) 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);
- (bbb) in respect of Loans that comprise the Initial Portfolio and were originated on or after 23 October 2015, at least one Monthly Instalment due in respect of each Loan has been paid by the relevant Borrower; and

- (ccc) to the best of the Seller's knowledge and belief, no Property has been let or sublet other than by way of: (i) an assured shorthold tenancy which meets the requirements of Section 19A or Section 20 of the Housing Act 1988; (ii) an assured tenancy; or (iii) a short assured tenancy which meets the requirements of Section 32 of the Housing (Scotland) Act 1988.

Neither the Security Trustee nor the Arranger 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.

"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 Seller 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;
- (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.

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

Repurchase by the Seller

The Seller is required to repurchase 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 any Further Loan 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 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 to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement. The Seller will also be required to repurchase

any Loan (a) where the Seller has elected to make a Further Advance or Product Switch available to a Borrower, prior to such Further Advance or Product Switch being made and (b) which the Seller has determined on any Calculation Date to be a Significant Deposit Loan as at the immediately preceding Collection Period Start Date. For these purposes, "**Significant Deposit Loan**" means a Loan where (i) the Seller holds the legal title, and (ii) the relevant Borrower has a deposit account with the Seller and the balance of such deposit account exceeds the maximum amount covered under the Financial Services Compensation Scheme at the relevant time.

Repurchase due to unfair terms for recovery of interest or breach of obligations by the Seller

The Seller 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 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 a Loan Repurchase Notice requiring the Seller to repurchase the relevant Loan and its Related Security and, following receipt of such Loan Repurchase Notice, the Seller shall be required to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

Repurchase price

The consideration payable by the Seller 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 the extent to which 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 Seller, 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 (as the case may be).

Further Purchase Conditions

On any Business Day during the Revolving Period which the Seller notifies the Issuer to be a further loan sale date ("**Further Loan Sale Date**"), the Seller may sell to the Issuer additional Loans (the "**Further Loans**") and their Related Security (any portfolio of Further Loans and their Related Security, the "**Further Portfolio**"). The Seller will make the Loan Warranties in respect of the relevant Further Loans on the relevant Further Loan Sale Date. In addition, the Further Loans and their Related Security sold by the Seller to the Issuer must comply with the Further Purchase Conditions as at the relevant Further Loan Sale Date. There is no obligation on the Seller to nominate any Further Loan Sale Date or to offer to sell Loans to the Issuer on any such Further Loan Sale Date.

The "**Further Purchase Conditions**" will be satisfied in respect of the Further Loans if, on the relevant Further Loan Sale Date:

- (a) the Further Portfolio Initial Consideration in respect of such Further Loans and their Related Security to be purchased on the relevant Further Loan Sale Date does not exceed the amount standing to the credit of the Reinvestment Principal Ledger on such Further Loan Sale Date; and

(b) the Further Purchase Asset Conditions will be satisfied on such Further Loan Sale Date.

"**Further Purchase Asset Conditions**" will be satisfied in respect of the Further Portfolio if, on each Further Loan Sale Date:

- (a) if a Further Loan is a Buy-To-Let Loan, after the sale of such Further Loan and its Related Security, no more than 65 per cent. of the Portfolio, calculated on the basis of the aggregate Current Balance of the Loans in the Portfolio, will be comprised of Buy-To-Let Loans;
- (b) after the sale of any Further Loans and their Related Security, the weighted average Current Loan to Value Ratio shall not exceed 72.5 per cent., calculated on the basis of the aggregate Current Balance of the Loans in the Portfolio;
- (c) no Further Loan shall be a Loan made to a Borrower that has any savings balance that is held with CCFS;
- (d) if a Further Loan is a Loan made to a Borrower that has a single county court judgement (or a Sheriff Court decree, being the Scottish equivalent of a county court judgement) up to a maximum of £1,000 in the year prior to origination or £2,500 in the two years prior to origination (a "CCJ"), after the sale of such Further Loan and its Related Security, Loans with a CCJ shall not exceed 15 per cent. of the Portfolio, calculated on the basis of the aggregate Current Balance of the Loans in the Portfolio;
- (e) no Further Loan shall be a loan made to a Borrower with a bankruptcy within the prior six years;
- (f) taking into account the Further Loans and their Related Security to be sold in the Further Portfolio, the weighted average spread over 3-month LIBOR of the Portfolio is not less than 3.7 per cent., calculated on the basis of the aggregate Current Balance of the Loans in the Portfolio;
- (g) no Further Loan that is an Owner-occupied Loan shall be an Interest-only-Loan;
- (h) no Further Loan shall be a Loan which has had one or more Monthly Instalment in arrears at any time prior to the relevant Further Loan Sale Date;
- (i) no Further Loan shall have a Current Loan to Value Ratio of more than 90 per cent.; and
- (j) no Further Loan shall be a Fixed Rate Loan.

Agreed Upon Procedures Review of the Portfolio

Pursuant to the Mortgage Sale Agreement, during the Revolving Period, the Seller undertakes to procure that the Portfolio will be subject to an annual agreed upon procedures review to be conducted on each anniversary of the Closing Date by an independent, third party firm of auditors of international standing if, in respect of the Portfolio, (i) more than 5.00 per cent. of the Portfolio is comprised of Further Loans purchased by the Issuer within a single calendar year or (ii) in aggregate, more than 8.00 per cent. of the Portfolio is comprised of Further Loans purchased by the Issuer at any time during the Revolving Period.

As used in this Prospectus:

"**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for business in London.

"**Buy-To-Let Loan**" means a residential loan taken out by a borrower in relation to the purchase or re-mortgage of a property for letting purposes.

"**Calculation Date**" means, in relation to a Collection Period, the day falling eight 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 Seller in respect of such Property substantially in the form of the pro forma set out in the Standard Documentation.

"**Collection Period**" means the monthly period commencing on (and including) a Collection Period Start Date and ending on (but excluding) the immediately following Collection Period Start Date, except that the first Collection Period will commence on (and include) 1 November 2015 and end on (and exclude) the Collection Period Start Date falling in December 2015.

"**Collection Period Start Date**" means the first calendar day of each month in each year except that the first Collection Period Start Date will be 1 November 2015.

"**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 Seller.

"**Fixed Rate Period**" means in respect of a Further Loan that is a Fixed Rate Loan, the period commencing on the Further Loan Sale Date and ending on the date on which the interest rate reverts to a floating rate of interest.

"**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.

"**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.

"**Interest-only Loan**" means a loan under which 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.

"**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 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.

"**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, 00495 (3.7) and 00495 (4.1)), the Precise Mortgages General Mortgage Conditions Scotland August 2011 and the Seller'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.

"Owner-occupied Loan" means a residential Loan taken out by a Borrower in relation to the purchase or re-mortgage of a property for primary residence purposes.

"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.

"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 Seller 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 Seller 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 Seller, 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.

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 Seller, the Servicer and the Back-Up Servicer Facilitator will enter 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 Seller, 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 Seller (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 Seller in relation to the Loans and their Related Security and to perform the obligations of the Issuer and the Seller 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 Seller 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 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, the Back-Up Servicer Facilitator and (where the Servicer is not the Seller) the Seller 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) not make any offer for a Port or otherwise agree to any requested Port.

Appointment of Servicer as a designated reporting entity

The Servicer will be appointed by the Issuer and the Seller to act as the designated reporting entity for the purposes of complying with any applicable requirements under Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under articles 3 to 7 of Regulation (EU) No. 2015/3) in respect of any relevant Notes issued by the Issuer.

Back-Up Servicer Facilitator

The Issuer will appoint the Back-Up Servicer Facilitator in accordance with the Servicing Agreement. If the Servicer's appointment is terminated, the Back-Up Servicer Facilitator shall use best efforts to identify, on behalf of the Issuer, and assist the Issuer in the appointment of a suitable substitute servicer in accordance with the Servicing Agreement.

Setting of Interest Rates on the Loans

Subject to the terms of the Mortgage Sale Agreement, each of the Issuer and the Seller 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, provided that the

interest due on the Floating Rate Loans is set by reference to LIBOR as determined in accordance with the relevant Mortgage Conditions.

Porting

The Servicer will undertake to the Issuer and the Security Trustee that it will not offer to any Borrower nor will it agree to any request from any Borrower for a Port in relation to a Loan and its Related Security.

Operation of Collection Accounts

The Servicer will operate the Collection Accounts, opened in the name of the Seller with the Collection Account Bank in accordance with the terms of the Servicing Agreement, the Collection Accounts Declaration of Trust and the Collection Account Agreement (as to which, see "*The Collection Accounts Declaration of Trust*" and "*The Collection Account Agreement*" below). Revenue Receipts and Redemption Receipts arising in relation to the Loans will be paid directly into the relevant Collection Accounts. The Servicer shall transfer to the Deposit Account all Collections received into 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 Collection Account.

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 Seller, assist the Seller in opening one or more replacement Collection Accounts in the name of the Seller 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 Seller (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 as defined in Section 991 of the Income Tax Act 2007, the Issuer and the Seller (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 Seller 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 Services other than carrying out certain duties and obligations 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 0.25 per cent. per annum on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Collection Period Start Date at the start of the immediately preceding Collection Period (the "**Base Fee**").

The Base Fee is payable monthly 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 and the Back-Up Servicer Facilitator), 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 (with a copy to the Back-Up Servicer Facilitator) 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 (with a copy to the Back-Up Servicer Facilitator) 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, the Issuer and the Back-Up Servicer Facilitator (or such shorter time as may be agreed between the Servicer, the Issuer, the Security Trustee and the Back-Up Servicer Facilitator), 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 has the requisite experience of servicing residential mortgage loans 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.

Scheduled termination of the appointment of the Servicer

The appointment of the Servicer, unless previously terminated in accordance with the terms of the Servicing Agreement, shall terminate with immediate effect on the date on which the Issuer has no further interest in any Loan or Related Security and all Secured Obligations have been irrevocably discharged in full.

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.

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 debt collection 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 servicers 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, the Scottish Supplemental Charge and the Scottish Declaration of Trust) and any sums derived therefrom;

- (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 assignment 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 Seller over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust) (the "**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) 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 Collection Accounts Trust (created pursuant to the Collection Accounts Declaration of Trust); 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) money market funds;
- (c) Sterling demand or time deposits and certificates of deposit; and
- (d) 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) (aa) have a maturity date of 90 days or less and mature on or before the next following Interest Payment Date or within 90 days, whichever is sooner, and are rated at least F1+ (short term) and/or AA- (long term) by Fitch and at least P-1 (short term) and A1 (long term) by Moody's (or, as applicable, AAmmf by Fitch and Aaa –mf by Moody's, in respect of money market funds) or (bb) have a maturity date of 30 days or less and mature on or before the next Interest Payment Date or within 30 days, whichever is sooner, and are rated at least F1 (short term) and A (long term) by Fitch and at least P-1 (short term) and A2 (long term) by Moody's (or, as applicable, AAmmf by Fitch and Aaa –mf by Moody's, in respect of money market funds) and (ii) may be broken or demanded by

the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date or within 30 or 90 days, whichever is sooner, as specified in (i) above.

"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 Servicer, the Back-Up Servicer Facilitator, the Cash Manager, 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 Collection Account Agreement, the Collection Accounts Declaration of Trust, the Cash Management Agreement, the Corporate Services Agreement, the Deed Poll, the Deed of Charge, the Scottish Supplemental Charge, a share trust deed dated 11 September 2015 (the **"Share Trust Deed"**), the power of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge (the **"Issuer Power of Attorney"**), 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, the Scottish Declaration of Trust, the power of attorney granted by the Seller in favour of the Issuer and the Security Trustee on the Closing Date (the **"Legal Title Holder 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 or Residual Certificates Condition 10 (*Events of Default*), declaring the Notes to be immediately due and payable or any Residual Payments pursuant to the Residual Certificates to be immediately due and payable, as the case may be, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Deposit Account as described in "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".

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 or if no Notes remain outstanding, pursuant to Residual Certificates Condition 10 (*Events of Default*) declaring that any Residual Payments pursuant to the Residual Certificates are 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.

The Security will become enforceable after an Enforcement Notice has been served on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes or if no Notes remain outstanding, pursuant to Residual

Certificates Condition 10 (*Events of Default*) declaring that any Residual Payments pursuant to the Residual Certificates are immediately due and payable provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes and/or the Residual Certificates, 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 Seller, the Servicer 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 on the immediately following Interest Payment Date;
- (c) on each Calculation Date determine if there would be a Senior Expenses Deficit following the application of Available Revenue Receipts and any Rated Note Reserve Fund Liquidity Release Amounts on the immediately following Interest Payment Date;
- (d) on each Calculation Date, determine whether the immediately following Interest Payment Date is the Final Redemption Date;

- (e) record credits to, and debits from, the Ledgers, as and when required;
- (f) 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;
- (g) make withdrawals (when necessary) from the Deposit Account to pay any Third Party Amounts; and
- (h) on each Business Day, review the balances of the Deposit Account and any additional Issuer Accounts pursuant to this 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, amounts credited to the Deposit Account in accordance with item (n) of the Pre-Enforcement Revenue Priority of Payments 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 (j) of the Pre-Enforcement Revenue Priority of Payments.

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 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 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 "**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; and
 - (vi) the "**Reinvestment Principal Ledger**", which shall record
 - (i) as a credit (A) on the Closing Date, an amount equal to the gross proceeds from the Notes less (I) the Initial Portfolio Initial Consideration and (II) amounts credited to the Rated Note Reserve Fund and (B) during the Revolving Period, Available Redemption Receipts applied in accordance with item (b) of the Pre-Enforcement Redemption Priority of Payments; and
 - (ii) as a debit (A) any amounts paid as Further Portfolio Initial Consideration for the purchase of Further Loans and their Related Security and (B) any Timed-Out Reinvestment Amounts applied (on a first in, first out basis) as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments;
- (b) calculate on each Calculation Date (prior to service of an Enforcement Notice) the amount of Available Revenue Receipts 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));
- (d) 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 Principal Addition Amounts to be applied on the immediately following Interest Payment Date (such amount to be determined after calculation of any Rated Note Reserve Fund Liquidity Release Amount to be applied to meet any Revenue Deficit and 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) and drawn from Available Redemption Receipts on such Interest Payment Date;
- (e) provide the Issuer, the Servicer, the Security Trustee, the Noteholders, the Certificateholders, the Rating Agencies, Bloomberg and (subject to the written consent of the Servicer) any other person requesting such report with the Investor Report on each month on any day in each calendar month, provided that the Cash Manager shall (assuming delivery by the Servicer of the Servicer Report by no later than the sixth Business Day of that month) provide the Investor Report by no later than one Business Day following each relevant Calculation Date;
- (f) as soon as reasonably practicable upon receiving a request from the Issuer and/or the Security Trustee and provided that it has all information necessary to enable it to do so, calculate and provide to the Issuer and the Security Trustee:
 - (i) the Optional Purchase Price (or where such calculation is made prior to the Calculation Date immediately preceding the Optional Purchase Completion Date, an estimate of the Optional Purchase Price); and/or
 - (ii) (where the initial calculation is made prior to the Calculation Date immediately preceding the Optional Purchase Completion Date) the definitive Optional Purchase Price; and
- (g) calculate on each Calculation Date up to but excluding the Calculation Date immediately preceding the RPL Release Date the Timed-Out Reinvestment Amount to be applied as Available Redemption Receipts on the immediately following Interest Payment Date;
- (h) to apply (A) on any Business Day during the Revolving Period, amounts standing to the credit of the Reinvestment Principal Ledger to purchase Further Loans and their Related Security and (B) on each Interest Payment Date up to but excluding the RPL Release Date, any Timed-Out Reinvestment Amount in respect of that Interest Payment Date as Available Redemption Receipts (on a first in, first out basis) in accordance with the Pre-Enforcement Redemption Priority of Payments.

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:

- (i) any investment in any Authorised Investments shall be made in the name of the Issuer;
- (ii) 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

- (iii) 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 monthly 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 (the "**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 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 which will be

operated in accordance with the Cash Management Agreement and the Deed of Charge. The Issuer Account Bank is required to have the Account Bank Rating.

Governing Law

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

The Corporate Services Agreement

On or prior to the Closing Date, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings, the Seller 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 Seller, 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 Seller declared a trust (the "**Non-DD Collection Account Trust**") in favour of, *inter alia*: (a) the Seller and (b) 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 Seller, 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 Collection Accounts Declaration of Trust

On or prior to the Closing Date, the Issuer, the Seller, and the Security Trustee will enter into a collection accounts declaration of trust (the "**Collection Accounts Declaration of Trust**") pursuant to which the Seller (as Collection Accounts Trustee (as defined therein)) will declare a trust (the "**Collection Accounts Trust**") in favour of the Issuer over all its rights, title, interest and benefit (both present and future) in the DD Collection Account and the Non-DD 2015-3R Collection Account absolutely for the beneficiaries in the manner and in the proportions specified in the Collection Accounts Declaration of Trust.

Governing Law

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

The Collection Account Agreement

On or prior to the Closing Date, the Issuer, the Seller, the Security Trustee and the Collection Account Bank will enter into a collection account agreement (the "**Collection Account Agreement**") pursuant to which the Seller (as Collection Accounts Trustee (as defined therein)) will appoint the Collection Account Bank as account bank in relation to the DD Collection Account and the Non-DD 2015-3R 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 will, unless it receives any instruction to the contrary from the Servicer or (following the delivery of an Enforcement Notice) the Security Trustee, automatically transfer (a) the aggregate amount of funds standing to the credit of the DD Collection Account that are available to be withdrawn at that time in excess of the minimum required balance and (b) the aggregate amount of funds standing to the credit of the Non-DD 2015-3R Collection Account that are available to be withdrawn at that time at the close of business on each Business Day. The Collection Account Bank shall be entitled at any time to deduct from amounts standing to the credit of the DD Collection Account or the Non-DD 2015-3R Collection Account any amounts to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme (in the case of the DD Collection Account) and/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 Collection Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

CREDIT STRUCTURE

The Notes and the Residual Certificates are obligations of the Issuer only. The Notes and the Residual Certificates are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes and the Residual Certificates 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 or the Residual Certificates 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 (n) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess payable to the Certificateholders under item (p) 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.

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 (g) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish the Rated Note Reserve Fund Liquidity Sub-Ledger up to an amount equal to the Rated Note Reserve Fund Required Liquidity Amount and 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 (i) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish the Rated Note Reserve Fund up to an amount equal to the Rated Note Reserve Fund Required Amount.

2. **Rated Note Reserve Fund and Rated Note Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a fund which will be credited with the Rated Note Reserve Fund Required Amount from part of the proceeds of the Subordinated Noteholders' subscription for the Subordinated Notes on the Closing Date (the "**Rated Note Reserve Fund**") to provide liquidity 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 on the immediately following Interest Payment 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 Revenue 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 to pay items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date as determined by the Cash Manager on the immediately preceding Calculation Date; plus
- (b) either (i) if the debit balance on the Class B Principal Deficiency Sub-Ledger on such Interest Payment Date (for the avoidance of doubt, prior to any Principal Addition Amounts being applied to meet a Senior Expenses Deficit on such Interest Payment Date) is less than 50 per cent. of the Principal Amount Outstanding of the Class B Notes on such Interest Payment Date (prior to Available Redemption Receipts being applied pursuant to the Pre-Enforcement Redemption Priority of Payments on such Interest Payment Date) any such shortfall in Available Revenue Receipts to pay item (g) of the Pre-Enforcement Revenue Priority of Payments or (ii) if the debit balance on the Class B Principal Deficiency Sub-Ledger on such Interest Payment Date (for the avoidance of doubt prior to any Principal Addition Amounts being applied to meet a Senior Expenses Deficit) is equal to or greater than 50 per cent. of the Principal Amount Outstanding of the Class B Notes on such Interest

Payment Date (prior to Available Redemption Receipts being applied pursuant to the Pre-Enforcement Redemption Priority of Payments), zero; .

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 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 2.9 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes as at the Closing Date and on each Interest Payment Date following the Final Redemption Date, zero. On the Closing Date, the Rated Note Reserve Fund Required Amount will be equal to £13,274,000.00.

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) 2.9 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes on the Closing Date; and (ii) 2.9 per cent. of the aggregate 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; 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 there will be a shortfall of Available Revenue Receipts and any Rated Note Reserve Fund Liquidity Release Amounts to pay items (a) to (e) and (g) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date. If the Cash Manager determines that there will be a shortfall (such shortfall being "**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 an amount of Available Redemption Receipts equal to the lesser of:

- (a) the amount of Available Redemption Receipts available for application pursuant to the Pre-Enforcement Redemption Priority of Payments on such Interest Payment Date; and
- (b) the amount of such Senior Expenses Deficit,

(such amount being the "**Principal Addition Amount**"), in meeting such Senior Expenses 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 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. Reinvestment Principal Ledger

4.1 A Reinvestment Principal Ledger will be established to record:

- (a) as a credit (i) on the Closing Date, an amount equal to the gross proceeds from the Notes less (A) the Initial Portfolio Initial Consideration and (B) amounts credited to the Rated Note Reserve Fund and (ii) during the Revolving Period, Available Redemption Receipts applied in accordance with item (b) of the Pre-Enforcement Redemption Priority of Payments; and
- (b) as a debit (i) any amounts paid as Further Portfolio Initial Consideration for the purchase of Further Loans and their Related Security and (ii) any Timed-Out Reinvestment Amounts applied (on a first in, first out basis) as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

4.2 On the RPL Release Date, all amounts standing to the credit of the Reinvestment Principal Ledger will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments or, following the delivery of an Enforcement Notice, the Post-Enforcement Priority of Payments.

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 the following 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**"), 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 B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and (c) third, 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 Available Revenue Receipts applied pursuant to items (f) and (h) and (on any Interest Payment Date other than the Call Option Redemption Date) (k) of the Pre-Enforcement Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon become Available Redemption Receipts) (which amounts shall, for the avoidance of doubt, thereupon become Available Redemption Receipts).

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 Rated Note Reserve Fund Liquidity Release Amounts), 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, Rated Note Reserve Fund Liquidity Release Amounts and Principal Addition 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.

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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 Purchase 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 and (d) the proceeds of repurchase attributable to Accrued Interest and Arrears of Interest only of any Loan repurchased by the Seller from the Issuer pursuant to the Mortgage Sale Agreement.

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) all Revenue Receipts or, if in a Determination Period, any Calculated Revenue Receipts, in each case excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date, received by the Issuer:
 - (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 pursuant to the Mortgage Sale Agreement, from but excluding the Collection Period Start Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Collection Period Start Date;
- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period and income from any Authorised Investments to be received on or prior to the Interest Payment Date;
- (c) the Rated Note Reserve Fund Available Amount;
- (d) 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*);
- (e) amounts credited to the Deposit Account on the previous Interest Payment Date in accordance with item (n) of the Pre-Enforcement Revenue Priority of Payments;
- (f) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Redemption Receipts; and
- (g) amounts applied pursuant to item (f) of the Pre-Enforcement Redemption Priority of Payments;

less:

- (h) 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 the Base 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 (h) being collectively referred to herein as "**Third Party Amounts**");

- (i) 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
- (j) (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 the Non-DD 2015-3R 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 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.

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 (taking into account any Rated Note Reserve Fund Available Amounts and any Rated Note Reserve Fund Liquidity Release Amounts), the Issuer shall apply Available Redemption Receipts (to the extent available) as Principal Addition Amounts to meet any Senior Expenses Deficit 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.

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 Available Redemption Receipts to the Reinvestment Principal Ledger

On the Closing Date, the Cash Manager, on behalf of the Issuer, shall apply as a credit to the Reinvestment Principal Ledger an amount equal to the gross proceeds from the Notes less (i) the Initial Portfolio Initial Consideration and (ii) amounts credited to the Rated Note Reserve Fund.

During the Revolving Period and 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 as a credit to the Reinvestment Principal Ledger, all amounts applied as Available Redemption Receipts pursuant to item (b) of the Pre-Enforcement Redemption Priority of Payments, which may then be allocated towards the purchase by the Issuer of Further Loans and their Related Security during the Revolving Period. Any Timed-Out Reinvestment Amount will be applied (on a first in, first out basis) as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments. On the RPL Release Date, the Cash Manager, on behalf of the Issuer, shall apply all amounts standing to the credit of the Reinvestment Ledger as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments or, following the delivery of an Enforcement Notice, 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 Base 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 Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
 - (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein; and
 - (vii) 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 Collection Account Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (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 (d) 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 pay the Issuer an amount equal to £100 to be retained by the Issuer as profit in respect of the business of the Issuer (the "**Issuer Profit Amount**");
- (e) *fifth*, 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;
- (f) *sixth*, (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);
- (g) *seventh*, 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;
- (h) *eighth*, to credit the Rated Note Reserve Fund Liquidity Sub-Ledger up to the Rated Note Reserve Fund Required Liquidity Amount;
- (i) *ninth*, (so long as the Class B Notes remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (j) *tenth*, to credit the Rated Note Reserve Fund Ledger up to the Rated Note Reserve Fund Required Amount;
- (k) *eleventh*, (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);

- (l) *twelfth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class Z Notes;
- (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 Subordinated Notes;
- (n) *fourteenth*, 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;
- (o) *fifteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, principal amounts due and payable on the Subordinated Notes; and
- (p) *sixteenth*, any excess amounts *pro rata* and *pari passu* as Residual Payments 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.

"**Base 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 0.25 per cent. per annum on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Collection Period Start Date at the start of the immediately preceding Collection Period, in consideration for the Servicer providing 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;

"**Call Option Redemption Date**" means any Final Redemption Date falling on the Optional Purchase Completion 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 month of each year.

"**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.

"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.

"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 Purchase Collections and principal amounts only representing the Optional Purchase Price received by the Issuer pursuant to the exercise of the Call Option, (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 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 (f) 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, received by the Issuer:
 - (i) during the immediately preceding Collection Period or
 - (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Collection Period Start Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Collection Period Start Date;
- (b) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class Z Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date;
- (c) 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);

- (d) 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*);
- (e) during the Revolving Period, the Timed-Out Reinvestment Amount (applied on a first in, first out basis) and on the RPL Release Date, all amounts standing to the credit of the Reinvestment Principal Ledger; and
- (f) the Optional Purchase Price received by the Issuer upon the sale of the Loans and their Related Security comprising the Portfolio further to exercise of the Call Option.

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*, on each Interest Payment Date up to but excluding the RPL Release Date, all amounts not applied pursuant to item (a) above, other than an amount equal to the Timed-Out Reinvestment Amount in respect of such Interest Payment Date, to be applied in crediting the Reinvestment Principal Ledger;
- (c) *third*, 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;
- (d) *fourth*, 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;
- (e) *fifth*, 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; and
- (f) *sixth*, any excess amounts as Available Revenue Receipts.

Distributions following the service of an Enforcement Notice on the Issuer

After an Enforcement Notice has been served on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by the Security Trustee in connection with the enforcement of the Security will apply all amounts received or recovered other than 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 Base 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 Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;
 - (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Issuer Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein; and
 - (vii) 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 Collection Account Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, 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;
- (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 B Notes until the Principal Amount Outstanding on the Class B 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 Z Notes until the Principal Amount Outstanding on the Class Z 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 Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero;
- (g) *seventh*, to pay, *pro rata* and *pari passu*, amounts due and payable to third parties (if any); and
- (h) *eighth*, to pay any excess amounts, *pro rata* and *pari passu*, as Residual Payments to the holders of the Residual Certificates.

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 nominee for the Common Safekeeper for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Safekeeper as the owner of the Global Note.

Upon confirmation by the Common Safekeeper that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Note attributable thereto ("**Book-Entry Interests**").

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and higher integral multiples of £1,000 (an "**Authorised Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests or the Residual Certificate Book-Entry Interests through Participants or through other Indirect Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee for the Common Safekeeper is the registered holder of the Global Note underlying the Book-Entry Interests, the nominee for the Common Safekeeper will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed. Except as set out under "*Issuance of Registered Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in respect of the Global Notes and the Book-Entry Interests*", below.

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

assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of a Global Note, unless and until Book-Entry Interests are exchanged for Registered Definitive Notes, the Global Note held by the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in the Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Arranger, the 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 Safekeeper or its nominee as the registered holder thereof with respect to the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Safekeeper, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Notes (i) where the Notes are in global registered form, shall be at the close of the Business Day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) prior to the relevant Interest Payment Date and (ii) where the Notes are in definitive registered form, shall be the date falling 15 days prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments

made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that a Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the order of the Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and the corresponding entry on the Register.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "*General*" above.

Issuance of Registered Definitive Notes

Holders of Book-Entry Interests in the Global Note will be entitled to receive Notes in definitive registered form (such as exchanged Global Notes in definitive registered form, "**Registered Definitive Notes**") in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive registered form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will not be entitled to exchange such Registered Definitive Notes for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set out under "*Transfers and Transfer Restrictions*" above and provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Registered Definitive Notes will be issued in a denomination that is an integral multiple of the minimum Authorised Denomination. See "*Risk Factors – Registered Definitive Notes and denominations in integral multiples*" above.

Action in respect of the Global Notes and the Book-Entry Interests

Not later than 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.

New Safekeeping Structure and Eurosystem Eligibility

The Notes are intended to be held in a manner which would allow Eurosystem eligibility and will be deposited with one of the ICSDs as common safekeeper. However, the deposit of the Notes with one of the ICSDs as common safekeeper upon issuance or otherwise does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Issuer-ICSDs Agreement

Prior to the issuance of the Notes, the Issuer will enter into an Issuer-ICSDs Agreement with the ICSDs in respect of the Notes. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any of the Notes (while being held in the New Safekeeping Structure), maintain their respective portion of the issue outstanding amount through their records. The Issuer-ICSDs Agreement will be governed by English law.

DESCRIPTION OF THE GLOBAL RESIDUAL CERTIFICATE

General

The Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate. The Global Residual Certificate will be registered on issue on or around the Closing Date in the name of the nominee for the Common Safekeeper for Euroclear Bank SA / NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Registrar will maintain a register in which it will register the nominee for the Common Safekeeper as the holder of the Global Residual Certificate.

Upon confirmation by the Common Safekeeper that it has been issued with the Global Residual Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Residual Certificate ("**Residual Certificate Book-Entry Interests**") representing beneficial interests in the Residual Certificates attributable thereto.

Ownership of Residual Certificate Book-Entry Interests will be limited to Participants or Indirect Participants, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Residual Certificate Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Residual Certificate Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Seller. Ownership of Residual Certificate Book-Entry Interests will be shown on, and transfers of Residual Certificate Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Residual Certificate Book-Entry Interests.

So long as the nominee of the Common Safekeeper is the registered holder of the Global Residual Certificate underlying the Residual Certificate Book-Entry Interests, it will be considered the sole Certificateholder of the Residual Certificate represented by that Global Residual Certificate for all purposes under the Trust Deed. Except as set out under the section below entitled "*Issuance of Definitive Residual Certificates*", Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Residual Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Residual Certificate Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Residual Certificate Book-Entry Interests, to exercise any rights and obligations of a holder of Residual Certificates under the Trust Deed. See the section below entitled "*Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests*".

Unlike legal owners or holders of the Residual Certificates, holders of the Residual Certificate Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Certificateholders. Instead, a holder of Residual Certificate Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Residual Certificate Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default, holders of Residual Certificate Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and

until Definitive Residual Certificates are issued in accordance with the Residual Certificates Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Unless and until Residual Certificate Book-Entry Interests are exchanged for Definitive Residual Certificates, the Residual Certificates held by the nominee for the Common Safekeeper may not be transferred except as a whole by that nominee for the Common Safekeeper to a successor nominee for that Common Safekeeper or a nominee of a successor of the Common Safekeeper.

Purchasers of Residual Certificate Book-Entry Interests in a 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 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 and effectuated, 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 Safekeeper or its nominee as the registered holder thereof with respect to the Global Residual Certificate.

Each holder of Residual Certificate Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper or its nominee in respect of those Residual Certificate Book-Entry Interests. All

such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then none of the Issuer, the Principal Paying Agent or any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Safekeeper, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Residual Certificate Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**"), Euroclear and Clearstream, Luxembourg will determine the identity of the Participants for the purposes of making payments under the 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 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 depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Residual Certificate Book-Entry Interests or if an owner of a Residual Certificate Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the Participants owning the relevant Residual Certificate Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Transfers and Transfer Restrictions

All transfers of Residual Certificate Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section above entitled "*General*").

Beneficial interests in the Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg. The Global Residual Certificate will bear a legend similar to that appearing under the section of this Prospectus entitled "*Transfer Restrictions and Investor Representations*" below, and neither the Global Residual Certificate nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set out in the legend appearing in the relevant Global Residual Certificate.

Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests

Not later than 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.

New Safekeeping Structure and Eurosystem Eligibility

The Residual Certificates are intended to be held in a manner which would allow Eurosystem eligibility and will be deposited with one of the ICSDs as common safekeeper. However, the deposit of the Residual Certificates with one of the ICSDs as common safekeeper upon issuance or otherwise does not necessarily mean that the Residual Certificates will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such

recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Issuer-ICSDs Agreement

Prior to the issuance of the Residual Certificates, the Issuer will enter into an Issuer-ICSDs Agreement with the ICSDs in respect of the Residual Certificates. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any of the Residual Certificates (while being held in the New Safekeeping Structure), maintain their respective portion of the issue outstanding amount through their records. The Issuer-ICSDs Agreement will be governed by English law.

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 £429,800,000 Class A mortgage backed floating rate notes due November 2050 (the "**Class A Notes**"), the £27,900,000 Class B mortgage backed floating rate notes due November 2050 (the "**Class B Notes**" and together with the Class A Notes, the "**Rated Notes**"), the £60,142,000 Class Z mortgage backed fixed rate notes due November 2050 (the "**Class Z Notes**" and the £13,274,000 Subordinated fixed rate notes due November 2050 (the "**Subordinated Notes**", and the Subordinated Notes together with the Class Z Notes and the Rated Notes, the "**Notes**"), in each case of Precise Mortgage Funding 2015-3R plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 6 November 2015 (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 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 and pursuant to 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 common safekeeper (or a nominee thereof) 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 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 the 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).
- (d) 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 interest payments due in respect of (i) the Rated Notes and (ii) 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) in respect of interest payments.
- (e) 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 Post-Enforcement Priority of Payments or if there are no Notes then outstanding to the Certificateholders.
- (f) 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 (*Modification to the Transaction Documents*), 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 December 2015.

"**Interest Payment Date**" means the 16th day of each month in each year or, if such day is not a Business Day, the immediately following Business Day with the first Interest Payment Date falling in December 2015.

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**").

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) if the relevant Interest Determination Date falls on a Quarterly Interest Determination Date:
 - I. the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on such Interest Determination Date. 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 of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the such Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (I) the Relevant 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.; and

II. if, on such Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph I above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which sub-paragraph I above shall have applied; and

(B) if the relevant Interest Determination Date does not fall on a Quarterly Interest Determination Date, then the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect for the immediately preceding Interest Period to which sub-paragraph (A) above applied; and

(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 or if such day is not a Business Day, the immediately following Business Day;

(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) "**Quarterly Interest Determination Date**" means the 12th day of each of March, June, September and December in each year for which the rate will apply, or if such day is not a Business Day, the immediately following Business Day (provided that, in respect of the first Interest Period, the relevant Quarterly Interest Determination Date shall be 12 December 2015);
- (vi) "**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;
- (vii) "**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;
- (viii) "**Relevant Margin**" means:
 - (A) in respect of the Class A Notes, 0.90 per cent. per annum; and
 - (B) in respect of the Class B Notes, 2.50 per cent. per annum;
- (ix) "**Relevant Screen Rate**" means, in respect of the Rated Notes, the arithmetic mean of offered quotations for three-month Sterling deposits in the London interbank market displayed on the Reuters Screen page LIBOR01 or any successor screen page, as determined by the Agent Bank; and
- (x) "**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 6th Business Day of each month 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.

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 Quarterly 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 three most recently received Servicer Reports in respect of the preceding 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 November 2050 (the "**Final Maturity Date**").

8.2 Mandatory Redemption prior to the service of an Enforcement Notice or on the Call Option Redemption Date

(a) On each Interest Payment Date prior to the service of an Enforcement Notice or on the Call Option Redemption Date, each Class of Notes (other than the Subordinated Notes) shall be redeemed 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 Z Notes until they are each repaid in full.

On each Interest Payment Date prior to the service of an Enforcement Notice or on the Call Option Redemption Date, the Subordinated Notes shall be redeemed in an amount equal to the Available Revenue Receipts available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments 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 Note of a particular Class (the "**Note Principal Payment**") on any Interest Payment Date prior to the service of an Enforcement Notice shall be the Available Redemption

Receipts available for such purpose on such Interest Payment Date in accordance with the Pre-Enforcement Redemption Priority of Payments, as calculated on the Calculation Date immediately preceding such Interest Payment Date multiplied by the relevant Pool Factor. With respect to each Note of a particular Class on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth decimal point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator is the Principal Amount Outstanding of the relevant Class of Notes. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default or manifest error) be final and binding on all persons.

- (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 Mandatory Redemption of the Rated Notes in Full

- (a) On or after the Optional Redemption Date

On giving not more than 60 days' nor fewer than two Business Days' notice to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, on any Interest Payment Date on or after the Optional Redemption Date upon the occurrence of a sale of the Loans and their Related Security comprising the Portfolio in accordance with the provisions of the Deed Poll, the Optional Purchase Price received by the Issuer will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (as applicable) with the result that the Notes will be redeemed in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice or on the Call Option Redemption Date*).

- (b) Ten per cent. clean-up call

On giving not more than 60 days' nor fewer than 14 Business Days' notice to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, on any Interest Payment Date upon the occurrence of a sale of the Loans and their Related Security comprising the Portfolio in accordance with the provisions of the Deed Poll where 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 Notes on the Closing Date, the Optional Purchase Price received by the Issuer will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (as applicable) with the result that the Notes will be redeemed in full on such Interest Payment Date in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice or on the Call Option Redemption Date*).

8.4 Mandatory Redemption of the Rated Notes for Taxation or Other Reasons

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest

Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; or

- (b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any of the Notes,

then the Issuer shall, if the same would avoid the effect of such relevant event described in sub-paragraph (a) or (b) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed, provided that:

- (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the holders of the Rated Notes (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on (A) any confirmation made orally to the Issuer (in which case the 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.

A "**Redemption Event**" shall occur if the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in sub-paragraph (a) or (b) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution.

On any Interest Payment Date on which the Loans and their Related Security comprising the Portfolio are sold pursuant to the Deed Poll following the occurrence of a Redemption Event, the Optional Purchase Price received by the Issuer will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (as applicable) with the result that the Notes will be redeemed in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice or on the Call Option Redemption Date*). The Issuer shall give not more than 60 days' nor fewer than 30 Business Days' notice of any such redemption of the Rated Notes to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee.

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 £429,800,000, in respect of the Class B Notes of £27,900,000, in respect of the Class Z Notes of £60,142,000 and in respect of the Subordinated Notes of £13,274,000, 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 (*Mandatory Redemption of the Rated Notes in Full*) or Condition 8.4 (*Mandatory Redemption of the Rated Notes for Taxation or Other Reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Clause 3.13(d) of the Deed Poll 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 and/or the exercise of the Call Option

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 (*Mandatory Redemption of the Rated Notes 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 (with a copy to the Cash Manager, the Security Trustee, the Servicer, the Back-Up Servicer Facilitator and the Issuer Account Bank) 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 Seller, the Security Trustee, 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) the Issuer is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (f) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with the court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case

may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver 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 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 Post-Enforcement 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.
- (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 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) Subject as provided below, the quorum at any adjourned 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 10 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (e) Subject as provided below, the quorum at any adjourned 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 25 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (f) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any adjourned meeting of any holders of any Class or Classes of Notes or holders of any Residual Certificates passing an Extraordinary Resolution to sanction a Basic Terms Modification shall be one or more persons holding or representing in aggregate not less than (i) 50 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) 50 per cent. 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.

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 Modification to the Transaction Documents

The Note Trustee or, as the case may be, the Security Trustee may (or in the case of paragraphs (c) and (c) below, shall) 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 or Residual Certificates then in issue, all Secured Creditors), such modification is of a formal, minor or technical nature or to correct a manifest error;
- (c) to the Issuer entering into any new and/or amended agreement in relation to the Issuer Account Bank and/or the Deposit Account (including where the unsecured, unsubordinated and unguaranteed debt obligations of the Issuer Account Bank are downgraded below the Account Bank Rating, and the Issuer is required (within 30 calendar days) to arrange for the transfer at its own costs of the Deposit Account and/or Swap Collateral Account to an appropriately rated bank or financial institution on similar terms to those set out in the Bank Account Agreement in order to maintain the ratings of the notes at their then current ratings), provided that the Issuer or the Servicer certifies to the Security Trustee and/or the Note Trustee (upon which the Security Trustee and the Note Trustee shall rely without liability) that any such new agreement and/or amendment would not have an adverse effect on the then current rating of the Rated Notes,

Other than where specifically provided in this Condition 13.5 (*Modification to the Transaction Documents*) or any Transaction Document:

- (a) when implementing any modification pursuant to this Condition 13.5 (*Modification to the Transaction Documents*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), neither the Note Trustee nor the Security Trustee shall 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 or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 13.5 (*Modification to the Transaction Documents*) and shall not be liable to the Noteholders or any other Secured Creditor for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee and/or the Security Trustee would have the effect of (i) exposing the Note Trustee and/or the Security Trustee to any liability against which is has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions.

Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (b) the Secured Creditors; and
- (c) the Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

13.6 Authorisation or Waiver of Breach

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 Notification of modifications, waivers, authorisations or determinations

Any such modification, waiver, authorisation or determination by the Note Trustee and/or the Security Trustee, as applicable, in accordance with these Conditions, the Residual Certificates Conditions or the 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 in accordance with Condition 16 (*Notice to Noteholders*), the Rating Agencies (while any Rated Notes remain outstanding) and the Secured Creditors as soon as practicable thereafter.

- 13.8 In connection with any such substitution of principal debtor referred to in Condition 8.4 (*Mandatory Redemption of the Rated Notes for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, be materially prejudicial to the interests of the Noteholders or the other Secured Creditors.
- 13.9 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.
- 13.10 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.

13.11 Other than in respect of any matter requiring an Extraordinary Resolution, Noteholders are required to vote by way of an Ordinary Resolution.

13.12 "**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.

13.13 "**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 three-quarters 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.

13.14 "**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.

13.15 "**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.

13.16 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:

- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
 - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
 - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
- (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in paragraph (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:
 - (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and

- (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

13.17 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.

13.18 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 13.18, 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 paragraph (d) below, any notice to Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.
- (b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.
- (c) While the Notes are represented by Global Note, notices to Noteholders will be valid if published as described above or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (d) So long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange.

16.2 Note Trustee's Discretion to Select Alternative Method

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

17. REPLACEMENT NOTES

If the Issuer Substitution Condition is satisfied in accordance with these Terms and Conditions and the Trust Deed, the Issuer may, without the consent of the Noteholders, issue one or more classes of replacement notes ("**Replacement Notes**") to replace one or more Classes of Notes, each class of which shall have terms and conditions which may differ from the terms and conditions of the Class of Notes which it replaces.

18. SUBORDINATION BY DEFERRAL

18.1 Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 18, include any interest previously deferred under this Condition 18.1 and accrued interest thereon) payable in respect of the Notes other than the Most Senior Class of Notes after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the "**Deferred Interest**") in respect of the Notes other than the Most Senior Class of Notes to the extent only of any insufficiency of funds.

18.2 General

Any amounts of Deferred Interest in respect of a Class of Notes shall accrue interest ("**Additional Interest**") at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 18.1 (*Interest*) applies) or on such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with these Conditions.

18.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on a Class of Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 18, the Issuer will give notice thereof to the relevant Class of Noteholders, as appropriate, in accordance with Condition 16 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 18 will not constitute an Event of Default. The provisions of this Condition 18 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or, are required to be redeemed in full, at which time all deferred interest and accrued interest thereon shall become due and payable.

19. NON-RESPONSIVE RATING AGENCY

- (a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Rated Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security Trustee) from the relevant Rating Agencies that the then current ratings of the Rated Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Rating Agency Confirmation**").
- (b) If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee, as applicable) and:
 - (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and

- (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by a director certifying and confirming that each of the events in paragraphs (i)(A) or (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 2015-3R plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 6 November 2015 (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 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 and pursuant to 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 common safekeeper (or a nominee thereof) 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 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 payment, by way of deferred consideration for the Issuer's purchase of the Portfolio, of an amount equal to:
 - (i) prior to the delivery of an Enforcement Notice, in respect of each Interest Payment Date, the amount (if any) by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (n) of the Pre-Enforcement Revenue 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 (g) 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

- (a) 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.
- (b) Following the exercise of the Call Option, the application of the Optional Purchase Price as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (as applicable) and payment of the Optional Purchase Collections to the Beneficial Title Transferee pursuant to the Deed Poll, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be redeemed in full 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 Seller, the Security Trustee, 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) the Issuer is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in

any such case (other than the appointment of an administrator or an administrative receiver 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 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 Post-Enforcement 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.
- (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 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) Subject as provided below, the quorum at any adjourned meeting of Certificateholders for passing an Ordinary Resolution will be one or more persons holding or representing not less than 10 per cent. of the Residual Certificates then in issue.
- (e) Subject as provided below, the quorum at any adjourned meeting of Certificateholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the Residual Certificates then in issue.
- (f) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any adjourned meeting of any holders of any Residual Certificates passing an Extraordinary Resolution to sanction a Basic Terms Modification, shall be one or more persons holding or representing in aggregate not less than (i) 50 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) 50 per cent. 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.

12.5 Modification to the Transaction Documents

The Note Trustee or, as the case may be, the Security Trustee may (or in the case of paragraphs (c) and (c) below, shall) 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;
- (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 or Residual Certificates then in issue, all Secured Creditors), such modification is of a formal, minor or technical nature or to correct a manifest error;
- (c) to the Issuer entering into any new and/or amended agreement in relation to the Issuer Account Bank and/or the Deposit Account (including where the unsecured, unsubordinated and unguaranteed debt obligations of the Issuer Account Bank are downgraded below the Account Bank Rating, and the Issuer is required (within 30 calendar days) to arrange for the transfer at its own costs of the Deposit Account to an appropriately rated bank or financial institution on similar terms to those set out in the Bank Account Agreement in order to maintain the ratings of the notes at their then current ratings), provided that the Issuer or the Servicer certifies to the Security Trustee and/or the Note Trustee (upon which the Security Trustee and the Note Trustees shall rely without liability) that any such new agreement and/or amendment would not have an adverse effect on the then current rating of the Rated Notes,

Other than where specifically provided in this Condition 12.5 (*Modification to the Transaction Documents*) or any Transaction Document:

- (a) when implementing any modification pursuant to this Residual Certificate Condition 12.5 (*Modification to the Transaction Documents*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee nor the Security Trustee shall 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 or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Residual Certificate Condition 12.5 (*Modification to the Transaction Documents*) and shall not be liable to the Noteholders or any other Secured Creditor for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee and/or the Security Trustee would have the effect of (i) exposing the Note Trustee and/or the Security Trustee to any liability against which is has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee and/or the Security Trustee in the Transaction Documents and/or these Residual Certificate Conditions.

Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (b) the Secured Creditors; and
- (c) the Noteholders in accordance with Residual Certificate Condition 16 (*Notice to Noteholders*).

12.6 Authorisation or Waiver of Breach

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 Notification of modifications, waivers, authorisations or determinations

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 in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*), the Rating Agencies (while any Rated Notes remain outstanding) and the Secured Creditors as soon as practicable thereafter.

12.8 In connection with any such substitution of principal debtor referred to in Condition 8.4 (*Mandatory Redemption of the Rated Notes 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.

12.9 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.

12.10 Other than in respect of any matter requiring an Extraordinary Resolution, Certificateholders are required to vote by way of an Ordinary Resolution.

12.11 "**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.

12.12 "**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 three-quarters 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.

12.13 "**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.

12.14 "**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.

12.15 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:

- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
 - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
 - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
- (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in paragraph (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:
 - (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
 - (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

12.16 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Principal Paying Agent on behalf of the Issuer.

12.17 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 12.17, 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 only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes and to certain United Kingdom reporting requirements in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. 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 depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice. The Residual Certificates are not considered below.

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 are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any available exemptions and reliefs. 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).

Information Reporting Requirements

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 relating to the Notes may also be required to be provided automatically to HMRC by “financial institutions” under regulations made under section 222 of the Finance Act 2013, which implement the requirements of various automatic information exchange programmes, including FATCA, Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended), the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014, and arrangements between the United Kingdom and its overseas territories and crown dependencies.

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.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Savings Directive, although it does not impose withholding taxes. The proposal also indicates that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Foreign Account Tax Compliance Act

FATCA imposes a new reporting regime and potentially a 30 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 is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. This foreign passthru payment withholding would potentially apply to payments in respect of (i) any Notes or Residual Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payments" are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes or Residual Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have entered into or announced their intention to enter into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "**Model 1 IGA**" and "**Model 2 IGA**" (each a "**Model IGA**") released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or any law implementing an IGA (any such withholding being a "**FATCA Withholding**") from payments it makes. An FFI in a Model 2 IGA jurisdiction and a Participating FFI in a non-IGA jurisdiction may, depending on the circumstances, be required to make a FATCA Withholding in respect of certain payments from sources within the United States. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the "**U.S.-UK IGA**") based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the U.S.-UK IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes or Residual Certificates are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes or Residual Certificates is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA, or (ii) an investor is a Recalcitrant Holder.

While the Notes and Residual Certificates are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under or in respect of the Notes or Residual Certificates by the Issuer, any paying agent or the Common Safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes or the Residual Certificates. The documentation expressly contemplates the possibility that the Notes or Residual Certificates may convert into definitive form and therefore that they may cease to be held through the ICSDs. If this were to happen then, depending on the circumstances, a non-FATCA-compliant holder could be subject to FATCA Withholding. However, conversion into Registered Definitive Notes or Residual Certificates is only anticipated to occur in remote circumstances.

Notwithstanding this, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA Withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of FATCA Withholding, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA Withholding. Investors should choose the custodians or intermediaries with care (to

ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. The Issuer's obligations under the Notes and the Residual Certificates are discharged once it has made payment to, or to the order of, the ICSDs, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the U.S.-UK IGA, all of which are subject to change or may be implemented in a materially different form.

SUBSCRIPTION AND SALE

The Seller has, pursuant to a subscription agreement dated on or around 6 November 2015 between the Seller, the Arranger and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for:

- (a) £429,800,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes;
- (b) £27,900,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes;
- (c) £60,142,000 of the Class Z Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z Notes; and
- (d) £13,274,000 of the Subordinated Notes at the issue price of 100 per cent. of the aggregate principal amount of the Subordinated Notes,

respectively as at the Closing Date.

The Issuer has agreed to indemnify the Seller and the Arranger against certain liabilities in connection with the issue of the Notes and the Residual Certificates.

Pursuant to the Subscription Agreement, the Seller will undertake to the Arranger that it will (i) retain a material net economic interest of not less than 5 per cent. in the nominal value of the securitisation in accordance with the text of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation, (ii) comply with the disclosure obligations imposed on sponsor and originator credit institutions under Article 409 of Part Five of the CRR, subject always to any requirement of law, provided that the Seller will not be in breach of such undertaking if it fails to so comply due to events, actions or circumstances beyond its control and (iii) not sell, hedge or otherwise mitigate (and shall procure that none of its affiliates shall sell, hedge or otherwise mitigate) the credit risk under or associated with the Retained Exposures except to the extent permitted under the CRR, the AIFM Regulation or the Solvency II Regulation.

As at the Closing Date, such retention requirement will be satisfied by the Seller holding an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, in this case retention of the Class Z Notes, as required by the text of each of paragraph (d) of Article 405(1) of the CRR and paragraph (d) of Article 51(1) of the AIFM Regulation and paragraph (d) of Article 254(2) of the Solvency II Regulation. 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.

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

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.

The Arranger and the Seller have acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with the Prospectus Directive, 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 Arranger 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

The Seller has represented, warranted and undertaken 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 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 (in respect of the Rated Notes only) 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 6 November 2015. The Residual Certificates will not be listed.
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 September 2015 (being the date of incorporation of each of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2016. So long as the Notes are admitted to trading on the Irish Stock Exchange's Main Securities Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on the Irish Stock Exchange's Main Securities Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 9 September 2015 (being the date of incorporation of each of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
7. The issue of the Notes and the Residual Certificates was authorised pursuant to a resolution of the board of directors of the Issuer passed on 2 November 2015.
8. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

Class of Notes/Residual Certificates	ISIN	Common Code
Class A Notes	XS1311138389	131113838
Class B Notes	XS1311138462	131113846
Class Z Notes	XS1311138629	131113862
Subordinated Notes	XS1311138892	131113889
Residual Certificates	XS1311316316	131131631

9. From the date of this Prospectus and for so long as the Notes remain outstanding, physical copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of paragraph (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 Deed Poll;
 - (iv) the Cash Management Agreement;
 - (v) the Master Definitions and Construction Schedule;
 - (vi) the Mortgage Sale Agreement;
 - (vii) the Corporate Services Agreement;
 - (viii) the Bank Account Agreement;
 - (ix) the Collection Account Agreement;
 - (x) the Collection Accounts Declaration of Trust;
 - (xi) the Non-DD Collection Account Declaration of Trust;
 - (xii) the Non-DD Collection Account Accession Undertaking;
 - (xiii) the Servicing Agreement;
 - (xiv) the Share Trust Deed; and
 - (xv) the Trust Deed;.

- 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.
- 13. Any website referred to in this document does not form part of the Prospectus.

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