

IMPORTANT NOTICE

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

IMPORTANT: You must read the following before continuing. The following applies to the prospectus attached to this electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the prospectus. In accessing the prospectus, you agree to be bound by the following terms and conditions, including any modifications to them at any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT IN CERTAIN TRANSACTIONS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This prospectus has been delivered to you on the basis that you are a person into whose possession this prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this prospectus to any other person. In order to be eligible to view this prospectus or make an investment decision with respect to the securities, investors must not be U.S. persons (within the meaning of Regulation S under the Securities Act). This prospectus is being sent at your request and by accessing the prospectus, you shall be deemed to have confirmed and represented to us that (i) you have understood and agree to the terms set out herein, (ii) you consent to delivery of the prospectus by electronic transmission, (iii) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail 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 (iv) if you are a person in the United Kingdom, then you are a person who (A) has professional experience in matters relating to investments within Article 19 of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the “**FPO**”) or (B) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Residential Mortgage Securities 28 Plc, the Joint Lead Managers (as defined herein) nor any person who controls any of them respectively (nor any director, officer, employee or agent of it or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers (as defined herein).

RMS 28
Residential Mortgage Securities 28 Plc

(Incorporated under the laws of England and Wales with limited liability under registered number 9386653)

Notes	Initial Principal Amount	Issue Price	Interest Reference Rate on Floating Rate Notes / Margin on Fixed Rate Notes	Relevant Margin prior to Step-Up Date	Relevant Margin following Step-Up Date	Final Maturity Date / X2 Maturity Date	Ratings S&P /Moody's
A	£370,500,000	100.00%	Three-Month Sterling LIBOR	1.15% per annum	1.73% per annum	June 2046	AAA by S&P and Aaa by Moody's
B	£54,600,000	100.00%	Three-Month Sterling LIBOR	1.65% per annum	2.48% per annum	June 2046	AA by S&P and Aa1 by Moody's
C	£38,000,000	100.00%	Three-Month Sterling LIBOR	2.00% per annum	3.00% per annum	June 2046	A by S&P and A2 by Moody's
D	£14,000,000	100.00%	Three-Month Sterling LIBOR	2.50% per annum	3.50% per annum	June 2046	BBB+ by S&P and Baa3 by Moody's
E	£15,200,000	100.00%	Three-Month Sterling LIBOR	3.35% per annum	4.35% per annum	June 2046	BBB- by S&P and Ba2 by Moody's
F1	£5,100,000	100.00%	Three-Month Sterling LIBOR	4.50% per annum	6.75% per annum	June 2046	Not Applicable
F2	£5,100,000	100.00%	Three-Month Sterling LIBOR	4.50% per annum	6.75% per annum	June 2046	Not Applicable
F3	£5,100,000	100.00%	Three-Month Sterling LIBOR	4.50% per annum	6.75% per annum	June 2046	Not Applicable
Z	£16,321,000	100.00%	Three-Month Sterling LIBOR	4.50% per annum	0.50% per annum	June 2046	Not Applicable
X1	£25,400,000	Not Applicable	5.00% per annum	Not Applicable	Not Applicable	June 2046	Not Applicable
X2	£100,000	Not Applicable	Not Applicable	Residual Revenue	Not Applicable	Step-Up Date	Not Applicable
R	£100,000	Not Applicable	Not Applicable	Not Applicable	Residual Revenue	June 2046	Not Applicable

The date of this Prospectus is 18 March 2015

Arranger

Morgan Stanley

Joint Lead Managers

Citi

Credit Suisse

Morgan Stanley

Issue Date	The Issuer expects to issue the Notes in the classes set out above on 20 March 2015 (the “ Issue Date ”).
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 acquired by Kayl PL S.à r.l (“Kayl”) and secured over residential properties located in England and Wales and Scotland which will be purchased by the Issuer on the Issue Date. Substitution of the loans contained in the Mortgage Pool may occur in accordance with the terms described herein.</p> <p>Please refer to the section entitled “<i>Constitution of the Mortgage Pool – The Mortgage Pool</i>” for further information.</p>
Credit Enhancement	<ul style="list-style-type: none"> • amounts standing to the credit of the Non-Liquidity Reserve Fund Ledger; • any Available Revenue Funds in excess of senior costs and interest due on the Rated Notes (“Excess Spread”) (if any); and • the subordination of junior ranking Notes upon enforcement. <p>Please refer to the section entitled “<i>Credit Structure</i>” for further information.</p>
Subordinated Loan Facility	<p>Kayl (the “Subordinated Lender”) will provide a subordinated loan facility (the “Subordinated Loan Facility”) pursuant to which the Subordinated Lender (or one of its affiliates) may on request, at any time and at its discretion, make available to the Issuer advances in sterling to fund any Issuer Payment Amounts.</p> <p>All advances will be initially credited to a separate ledger of the Transaction Account (the “Shortfall Ledger”) from where amounts may be debited for the payment of Issuer Payment Amounts.</p> <p>Each advance shall bear interest at a rate of 3 Month Sterling LIBOR plus 4.5% on the outstanding balance of the advance. All such advances shall be repaid out of Available Revenue Funds and Available Principal Funds pursuant to the Priorities of Payment.</p>
Liquidity Support	<ul style="list-style-type: none"> • Amounts standing to the credit of the Liquidity Reserve Fund Ledger; • Available Principal Funds applied to make up any Revenue Shortfall in respect of the A Notes; and • Available Principal Funds applied to make up any shortfall in respect of the B Notes, the C Notes, the D Notes and the E Notes, in each case subject to the relevant PDL Condition. <p>Please refer to the section entitled “<i>Credit Structure</i>” for further information.</p>
Redemption Provisions	Information on any optional and mandatory redemption of the Notes is summarised on page 4 (“ <i>Transaction Overview – Terms and Conditions of the Notes – Redemption</i> ”) and set out in full in Condition 5 (<i>Redemption</i>).

Credit Rating Agencies

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Each of S&P and Moody's is established in the EU and is registered under the CRA Regulation.

Credit Ratings

Ratings are expected to be assigned to the A Notes, the B Notes, the C Notes, the D Notes and the E Notes (together the "**Rated Notes**") as set out above on or before the Issue Date.

The ratings assigned by the Rating Agencies address (a) the likelihood of full and timely payment of interest due to the holders of the Rated Notes on each Interest Payment Date and (b) full payment of principal due to the holders of the Rated Notes by a date that is not later than the Final Maturity Date for the Rated Notes.

The assignment of ratings to the Rated Notes is not a recommendation to invest in the Rated Notes. Any credit rating assigned to the Rated Notes may be revised or withdrawn at any time.

Listing

This document comprises a prospectus (the "**Prospectus**"), for the purpose of Directive 2003/71/EC as amended (the "**Prospectus Directive**"). This Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list and to trading on its regulated market. There can be no assurance that any such approval will be granted or, if granted, that such listing will be maintained. The regulated market (the "**Main Securities Market**") of the Irish Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

Obligations

The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of, and will not be guaranteed by, or be the responsibility of any Transaction Party other than the Issuer.

Definitions

Please refer to the section entitled "*Glossary of Defined Terms*" for definitions of defined terms.

Retention Undertaking

The Seller will undertake in the Retention Letter that it will retain, on an ongoing basis as an originator within the meaning of the CRR, a material net economic interest of at least 5% in the securitisation, in accordance with Article 405(1)(d) of the CRR and Article 51(1)(d) of the AIFMD Level 2 Regulation (the "**Retention Requirement**"). In order to satisfy the Retention Requirement on the Issue Date, the Seller will purchase and thereafter hold F2 Notes, F3 Notes and Z Notes in such amounts as to hold the Retained Interest at not less than the Retention Requirement. On the Issue Date this will represent an economic outlay and downside exposure. Any change to the manner

in which such interest is held will be notified to investors.

The Seller is a direct wholly-owned subsidiary of Kayl Holdco. Kensington Mortgage Company Limited is an indirect wholly owned subsidiary of Kayl Holdco. Certain undertakings are given by Kayl Holdco in the Retention Letter concerning the Retention Requirement.

Please refer to the section entitled “*Retention Requirements and the Retained Interest*” and “*Risk Factors – Compliance with European risk retention requirements*”.

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 WITHIN THAT SECTION.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES LAWS. THE NOTES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE NOTES WILL ONLY BE OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS PURSUANT TO THE REQUIREMENTS OF REGULATIONS UNDER THE SECURITIES ACT. THERE IS NO UNDERTAKING TO REGISTER THE NOTES UNDER STATE OR FEDERAL SECURITIES LAW. THE NOTES CANNOT BE SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT IS AVAILABLE.

Each initial and subsequent purchaser of 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 thereof as set forth therein and described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases.

The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance is or can be given by the Joint Lead Managers or the Trustee or anyone other than the Issuer as to the adequacy, accuracy or completeness of such information and this Prospectus does not constitute and shall not be construed as any representation or warranty by the Joint Lead Managers or the Trustee or anyone other than the Issuer as to the adequacy, accuracy or completeness of such information contained herein. None of the Joint Lead Managers or the Trustee or anyone other than the Issuer have independently verified any of the information contained herein (financial, legal or otherwise) and in making an investment decision, investors must rely on their own examination of the terms of this Prospectus, including the merits and risks involved. Delivery of this Prospectus to any person other than the prospective investor and those persons, if any, retained to advise such prospective investor with respect to the possible offer and sale of the Notes is unauthorised, and any disclosure of any of its contents for any purpose other than considering an investment in the Notes is strictly prohibited. A prospective investor shall not be entitled to, and must not rely on, this Prospectus unless it was furnished to such prospective investor directly by the Issuer or the Joint Lead Managers.

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

The information contained in this Prospectus in the section headed “*Characteristics of the Provisional Mortgage Pool*” has been extracted from information provided by the Mortgage Administrator. The Issuer accepts responsibility for the accuracy of such extracted information but accepts no further or other responsibility in respect of such information. So far as the Issuer is aware and/or able to ascertain from such information, no facts have been omitted which would render the information inaccurate or misleading. The Issuer has not been responsible for, nor has it undertaken, any investigation or verification of statements, including statements as to foreign law, contained in the information. The Issuer does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information and prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquiries in respect of, the same.

Where third party information has been used in this Prospectus, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary

from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. As far as the Issuer is aware and able to ascertain from the information published by such third party sources, this information has been accurately reproduced and no facts have been omitted that would render the reproduction of this information inaccurate or misleading.

None of the Issuer, the Joint Lead Managers, the Trustee or any other person 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 and prospective investors should consult their legal advisers to determine whether and to what extent the investment in the Notes constitute a legal investment for them.

EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT (I) SUCH PERSON HAS BEEN AFFORDED AN OPPORTUNITY TO REQUEST AND TO REVIEW, AND HAS RECEIVED, ALL ADDITIONAL INFORMATION CONSIDERED BY IT TO BE NECESSARY TO VERIFY THE ACCURACY OF OR TO SUPPLEMENT THE INFORMATION HEREIN, (II) SUCH PERSON HAS NOT RELIED ON THE JOINT LEAD MANAGERS OR ANY PERSON AFFILIATED WITH THE JOINT LEAD MANAGERS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION, (III) NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THE NOTES OTHER THAN AS CONTAINED HEREIN, AND IF GIVEN OR MADE, ANY SUCH OTHER INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED, AND (IV) NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER WILL CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SINCE THE DATE HEREOF. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN BUSINESS, LEGAL AND TAX ADVISERS FOR INVESTMENT, LEGAL AND TAX ADVICE AND AS TO THE DESIRABILITY AND CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the Notes which according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has 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.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe for or purchase any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of the Notes and distribution of this Prospectus, see "*Purchase and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or Wells Fargo Trust Corporation Limited (the "**Trustee**") or the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, none of the Joint Lead Managers or the Trustee or anyone other than the Issuer accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by the Joint Lead Managers or the Trustee or any other person or on their behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee or anyone other than the Issuer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

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.

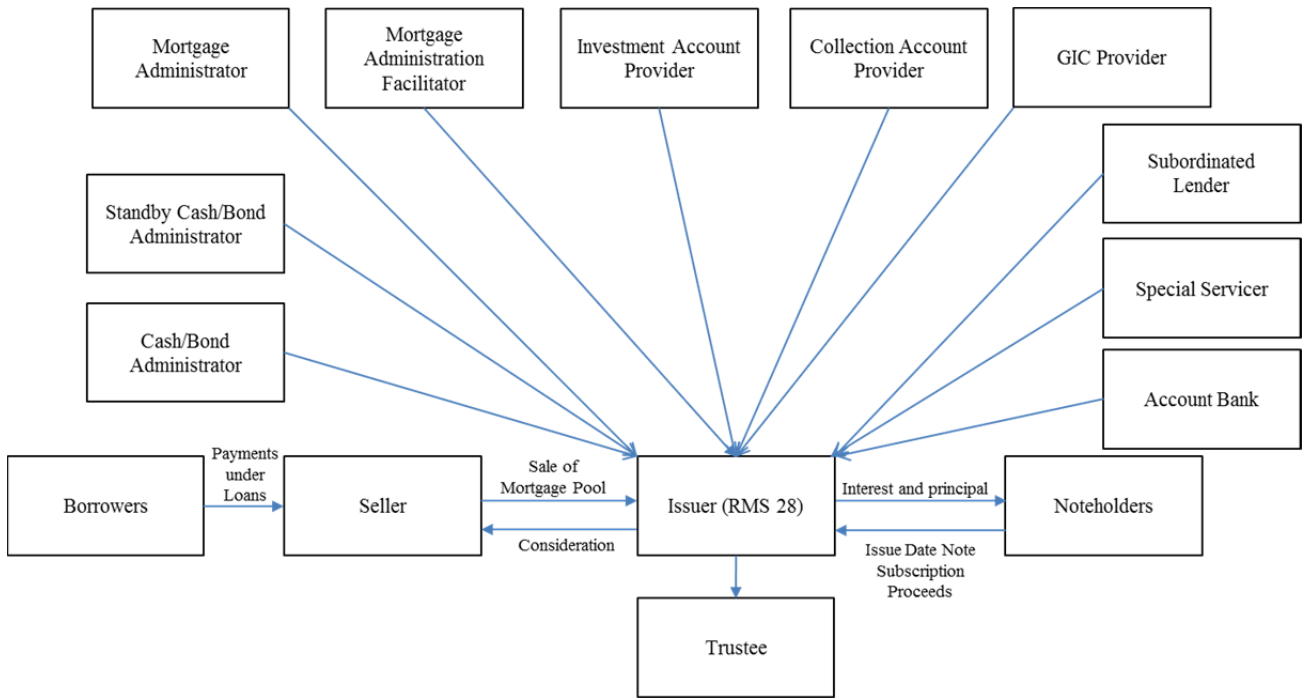
The Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes without the Issuer being obliged to pay additional amounts thereof. References in this Prospectus to “**£**”, “**pounds**” or “**sterling**” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and references to “**Euro**”, “**EUR**” and “**€**” are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended from time to time.

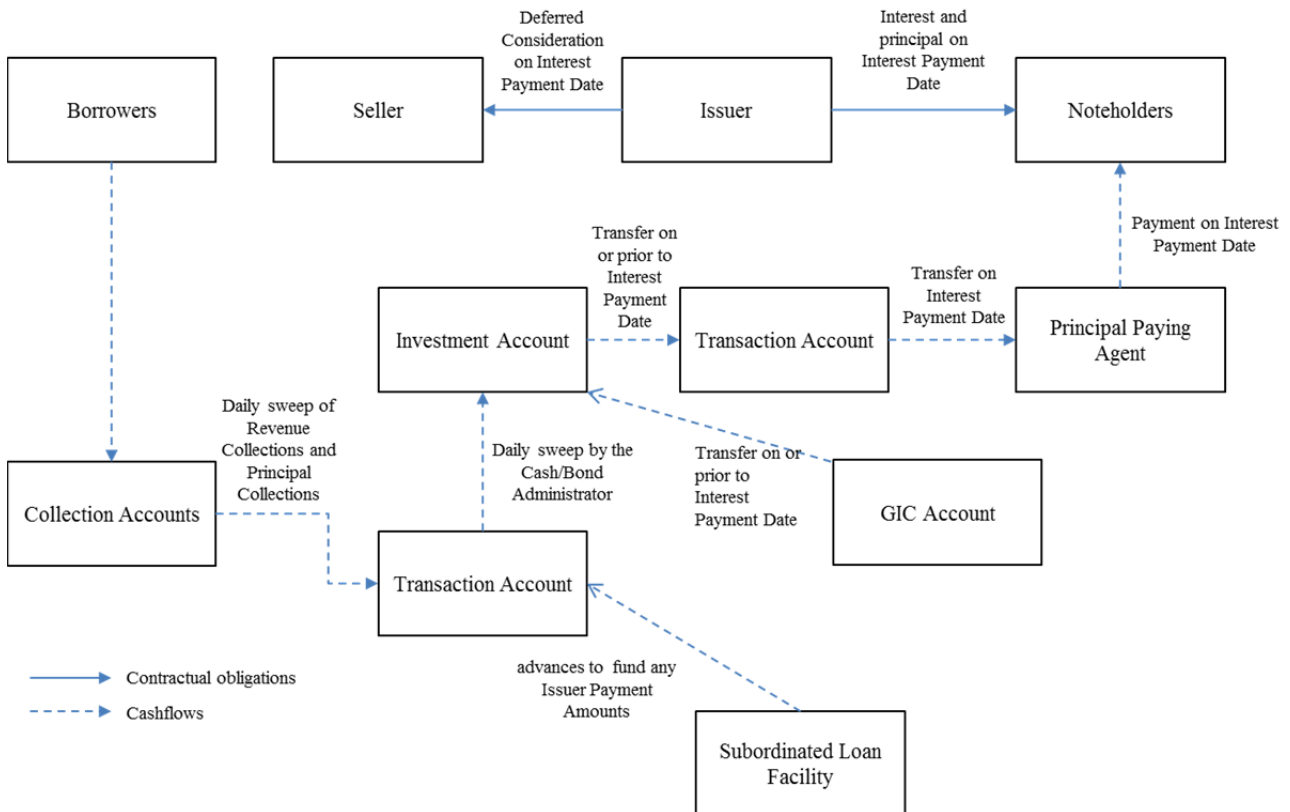
TABLE OF CONTENTS

TRANSACTION OVERVIEW – TERMS AND CONDITIONS OF THE NOTES.....	1
RISK FACTORS	8
RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS	49
USE OF PROCEEDS	68
THE ISSUER.....	69
CAPITALISATION STATEMENT.....	71
THE MORTGAGE ADMINISTRATOR, THE CASH/BOND ADMINISTRATOR AND THE SPECIAL SERVICER	72
THE GUARANTOR	73
THE LEGAL TITLE-HOLDERS	74
THE SELLER.....	75
THE STANDBY CASH/BOND ADMINISTRATOR	76
THE TRUSTEE AND THE SECURITY TRUSTEE	77
THE INVESTMENT ACCOUNT PROVIDER, ACCOUNT BANK AND GIC PROVIDER.....	78
THE COLLECTION ACCOUNT PROVIDER.....	79
THE MORTGAGE ADMINISTRATION FACILITATOR AND THE CORPORATE SERVICES PROVIDER.....	80
CONSTITUTION OF THE MORTGAGE POOL.....	81
CHARACTERISTICS OF THE PROVISIONAL COMPLETION MORTGAGE POOL.....	94
TITLE TO THE MORTGAGE POOL.....	117
SALE OF THE MORTGAGE POOL	118
CREDIT STRUCTURE	125
ADMINISTRATION, SERVICING AND CASH MANAGEMENT OF THE MORTGAGE POOL	133
WEIGHTED AVERAGE LIVES OF THE NOTES	137
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM.....	139
TERMS AND CONDITIONS OF THE NOTES	142
UNITED KINGDOM TAXATION	182
U.S. FOREIGN ACCOUNT TAX COMPLIANCE	184
PURCHASE AND SALE.....	185
GENERAL INFORMATION.....	188
GLOSSARY OF DEFINED TERMS.....	190

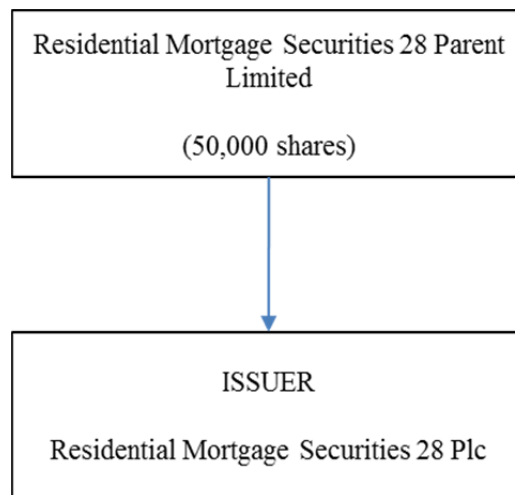
Diagrammatic Overview of the Transaction



Diagrammatic Overview of Ongoing Cash Flow



Diagrammatic Overview of the Ownership Structure



TRANSACTION OVERVIEW

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

Transaction Parties on the Issue Date

Party	Name	Address	Document under which appointed/Further information
Arranger	Morgan Stanley & Co. International plc	25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom	Not Applicable.
Joint Lead Managers	Citigroup Global Markets Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom	Note Purchase Agreement.
	Credit Suisse Securities (Europe) Limited	One Cabot Square, Canary Wharf, London EC14 4QJ, United Kingdom	Note Purchase Agreement.
	Morgan Stanley & Co. International plc	25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom	Note Purchase Agreement.
Issuer	Residential Mortgage Securities 28 Plc	35 Great St. Helen's, London EC3A 6AP, United Kingdom	Not Applicable.
Seller	Kayl PL S.à r.l.	5, rue Eugène Ruppert, L-2453 Luxembourg	Not Applicable.
Mortgage Administrator	Kensington Mortgage Company Limited	Reading International Business Park, Basingstoke Road, Reading RG2 6DB, United Kingdom	Mortgage Administration Agreement. See the sections entitled " <i>The Legal Title-Holders, the Mortgage Administrator and the Special Servicer</i> " and " <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> " for further information.
Mortgage Administration Facilitator	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP, United Kingdom	Mortgage Administration Agreement. See the section entitled " <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> " for further information.

Party	Name	Address	Document under which appointed/Further information
Special Servicer	Kensington Mortgage Company Limited	Reading International Business Park, Basingstoke Road, Reading RG2 6DB, United Kingdom	Special Servicer Agreement. See the sections entitled “ <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> ” for further information.
Legal Title-Holders	Kensington Mortgage Company Limited (and other affiliates of Kensington Mortgage Company Limited)	Reading International Business Park, Basingstoke Road, Reading RG2 6DB, United Kingdom	Kay/Issuer Mortgage Sale Agreement.
Guarantor	Kensington Group Limited	Reading International Business Park, Basingstoke Road, Reading RG2 6DB, United Kingdom	Kay/Issuer Mortgage Sale Agreement.
Trustee	Wells Fargo Trust Corporation Limited	One Plantation Place, 30 Fenchurch Street, London EC3M 3BD, United Kingdom	Trust Deed. See the Conditions for further information.
Security Trustee	Wells Fargo Trust Corporation Limited	One Plantation Place, 30 Fenchurch Street, London EC3M 3BD, United Kingdom	Deed of Charge. See the Conditions for further information.
Corporate Services Provider	Structured Finance Management Limited	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	Corporate Services Agreement.
Cash/Bond Administrator	KMC	Reading International Business Park, Basingstoke Road, Reading RG2 6DB, United Kingdom	Cash/Bond Administration Agreement. See the sections entitled “ <i>The Seller and the Cash/Bond Administrator</i> ” and “ <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> ” for further information.
Standby Cash/Bond Administrator	Wells Fargo Bank International	2 Harbourmaster Place, I.F.S.C. Dublin 1, Ireland	Standby Cash/Bond Administration Agreement. See the sections entitled “ <i>The Standby Cash/Bond Administrator</i> ” and “ <i>Administration, Servicing and Cash Management of the Mortgage Pool</i> ” for further information.
Account Bank	Wells Fargo Bank N.A., London Branch	One Plantation Place, 30 Fenchurch Street, London EC3M 3BD, United Kingdom	Bank Agreement.
Collection Account Provider	Barclays Bank PLC	1 Churchill Place, London E14 5HP, United Kingdom	Collection Account Agreement.

Party	Name	Address	Document under which appointed/Further information
Investment Account Provider	Wells Fargo Bank N.A., London Branch	One Plantation Place, 30 Fenchurch Street, London EC3M 3BD, United Kingdom	Investment Account Agreement.
GIC Provider	Wells Fargo Bank N.A., London Branch	One Plantation Place, 30 Fenchurch Street, London EC3M 3BD, United Kingdom	GIC Account
Subordinated Lender	Kayl PL S.à r.l	5, rue Eugène Ruppert, L-2453 Luxembourg	Subordinated Loan Agreement
Principal Paying Agent	Société Générale Bank & Trust	11 Avenue, Emile Reuter, L-2420 Luxembourg	Paying Agency Agreement.
Agent Bank	Société Générale Bank & Trust	11 Avenue, Emile Reuter, L-2420 Luxembourg	Paying Agency Agreement.
Listing Agent	Wells Fargo Bank International	2 Harbourmaster Place, I.F.S.C. Dublin 1, Ireland	Not Applicable.
Listing Authority and Stock Exchange	Irish Stock Exchange	28 Anglesea Street, Dublin 2, Ireland	Not Applicable.
Clearing Systems	Euroclear	33 Cannon Street, London EC4M 5SB, United Kingdom	Not Applicable.
	Clearstream, Luxembourg	42 Avenue JF Kennedy, L-1855, Luxembourg	Not Applicable.
Rating Agencies	Moody's Investors Service Ltd	1 Canada Square, London E14 5FA United Kingdom	Not Applicable.
	Standard & Poor's Ratings Services, a division of Standard & Poor's Credit Market Services Europe Ltd.	20 Canada Square London E14 5LH, United Kingdom	Not Applicable.
Auditors	Ernst & Young LLP	1, More London Place, London SE1 2AF, United Kingdom	Not Applicable.

MORTGAGE POOL AND SERVICING

Please refer to the sections entitled “*Constitution of the Mortgage Pool*”, “*Title to the Mortgage Pool*” and “*Sale of the Mortgage Pool*” for further detail in respect of the characteristics of the Mortgage Pool and the sale and the servicing arrangements in respect of the Mortgage Pool.

Sale of Mortgage Pool

The Mortgage Pool will consist of the Loans, the Collateral Security, and all monies derived therein from time to time, which will be sold by the Seller to the Issuer on the Issue Date, pursuant to the Kayl/Issuer Mortgage Sale Agreement, and shall also comprise any Substitute Loans which shall be sold on the Repurchase Date for any Loan.

The Mortgage Pool comprises Loans secured over properties in England, Wales and Scotland.

Each Loan and Collateral Security in respect of Properties located in England and Wales is governed by English law, and each Loan and Collateral Security in respect of Properties located in Scotland is governed by Scots law.

In this Prospectus, unless otherwise noted, all references to specified percentages of the Loans are references to those Loans as a percentage of the aggregate principal balances of the Provisional Completion Mortgage Pool.

Features of Loans

The following is a summary of certain features of the Loans as at the Cut-Off Date and investors should refer to, and carefully consider, further details in respect of the Loans set out in “*Characteristics of the Provisional Completion Mortgage Pool*”.

Type of Borrower	Non-Conforming
Type of Loan	Repayment Loans or Interest Only Loans or a combination of both
Self-certified Loans	Yes, 61.08% of the Current Balance of the Provisional Completion Mortgage Pool
Fast-track Loans	No
Buy-to-let Loans	Yes, 13.62% of the Current Balance of the Provisional Completion Mortgage Pool
Number of Loans	4,269

	Weighted average*	Minimum	Maximum
Current Balance	£120,237	£291	£904,544
Original LTV	76.89%	4.64%	96.43%
Current LTV	75.17%	0.22%	119.14%
Seasoning (months)	76	7	225
Remaining Term (years)	16	0	29

* Save for in the case of “Current Balance” where this is the simple arithmetic average.

See the section entitled “*Characteristics of the Provisional Completion Mortgage Pool*” for further information.

Consideration

Consideration payable by the Issuer in respect of the sale of the Loans and Collateral Security shall be equal to (i) an immediate cash payment of £507,211,965.10 payable on the Issue Date and (ii) the R Notes. This amount may be settled by way of set-off in the event the Seller agrees to subscribe for some or all of the Notes.

In the event of a breach of warranty given in respect of the Loans in the Mortgage Pool which could have a material adverse effect on the value of the relevant Loan and the related Mortgage, and which if capable of remedy, is not so remedied by the Seller within 21 days of notification of such breach to the Seller and the Guarantor by the Issuer, the Seller or, failing whom, the Guarantor, will be required to either (x) make a cash payment to the Issuer for such breach of warranty or (y) repurchase, or procure that an affiliate repurchases, the relevant Loan which is subject to a breach of warranty and substitute in Substitute Loans.

The Seller, or failing whom, the Guarantor, or where applicable, an affiliate will be required to make a cash payment to the Issuer as consideration for a repurchase by the Seller, the Guarantor or such affiliate from the Issuer of any Further Advance Loan or Ported Loan. Any additional amounts due to a Borrower in respect of a Further Advance Loan or Ported Loan may only be distributed following such repurchase.

Proceeds of the Z Notes and Start-Up Costs Ledger

The proceeds of the Z Notes will be used to fund (i) the Reserve Fund in an amount equal to the Reserve Fund Required Amount and (ii) the costs and expenses arising in respect of the purchase of Loans and the issuance of the Notes (“**Issuer Costs and Expenses**”). An amount equal to £1,093,000 shall on the Issue Date be credited to a separate ledger within the Transaction Account (the “**Start-Up Costs Ledger**”) for the payment by the Issuer of such Issuer Costs and Expenses. Any balance standing to the credit of the Start-Up Costs Ledger on Determination Date falling immediately prior to the first Interest Payment Date shall be paid to the holders of the Z Notes on the first Interest Payment Date and the Principal Amount Outstanding of the Z Notes shall be reduced by an equivalent sum.

Representations and Warranties

The Seller will make the Warranties to the Issuer and the Trustee on the Issue Date, in relation to the Loans in the Mortgage Pool on the Issue Date.

The Warranties include (without limitation) the following warranties in respect of each Loan:

- (i) each Mortgage is a first legal mortgage in respect of Properties located in England or Wales or a first ranking standard security in respect of Properties located in Scotland;
- (ii) each Borrower is a natural person and was aged 18 years or older at the date that he or she executed the relevant Mortgage; and
- (iii) no lien or right of set-off or counterclaim has been created or arisen between the Borrower and the Seller or the relevant Legal Title-Holder which would entitle such Borrower to

reduce the amount of any payment otherwise due under the relevant Loan.

See the section entitled “*Sale of the Mortgage Pool – Warranties and Repurchase*” for further information.

Repurchase of the Loans and Collateral Security

The Seller or, failing whom, the Guarantor shall repurchase, or shall procure that an affiliate repurchases, the relevant Loans and their Collateral Security in the following circumstances:

- (i) upon breach of Warranties given in respect of the Loans in the Mortgage Pool which could have a material adverse effect on the value of the relevant Loan and related Mortgage (other than where such breach was disclosed at the point of sale to the Issuer) and which, if capable of remedy, is not so remedied by the Seller, the Guarantor or, where applicable, an affiliate, within 21 days of notification of such breach to the Seller and the Guarantor by the Issuer;
- (ii) the relevant Legal Title-Holder makes a Further Advance Loan to a Borrower; or
- (iii) the relevant Legal Title-Holder agrees to a Ported Loan.

If, as a result of actual or anticipated Borrow-Backs, Available Principal Funds would as at the relevant Determination Date otherwise fall to less than zero, the Seller, or, failing whom, the Guarantor shall repurchase, or shall procure that an affiliate repurchases, some of such Loans (and their Collateral Security) (selected in its discretion), so as to ensure that Available Principal Funds is greater than (or equal to) zero.

Consideration for repurchase

Consideration payable by the Seller, the Guarantor or, where applicable, an affiliate, in respect of the repurchase of the Loans and their Collateral Security shall be equal to the Repurchase Price. In respect of a repurchase as a result of a breach of a Warranty only, at the option of the Seller, as an alternative to paying the consideration for repurchasing the Loan, the Seller may transfer to the Issuer the Seller’s whole right, title, interest and benefit in and to one or more residential mortgage loans with an aggregate value which is equal to or greater than the Repurchase Price.

Guarantee

Kensington Group Limited (together with any successor thereto, the “**Guarantor**”) will provide a guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement. Under such guarantee, upon the failure of the Seller to repurchase a Loan pursuant to the terms of the Mortgage Sale Agreement, the Guarantor will procure that it, or one of its affiliates, repurchases such Loan.

The Guarantor, or any affiliate thereof (as applicable), will be required to make a cash payment to the Issuer as consideration for a repurchase by the Guarantor or affiliate thereof from the Issuer of any Further Advance Loan or Ported Loan. Any additional amounts due to a Borrower in respect of a Further Advance Loan or Ported Loan may only be distributed following such repurchase.

Perfection Events

See “*Perfection Events*” in the section entitled “*Triggers Tables – Non-Rating Triggers Table*” below.

Legal title to the Loans will not be vested in the Issuer on the Issue Date or the Repurchase Date (as the case may be) until certain perfection events occur under the terms of the Kayl/Issuer Mortgage Sale Agreement (“**Perfection Events**”). Prior to the completion of the transfer of the legal title to the Loans, the Issuer will be subject to certain risks as set out in the sections entitled “*Risk Factors – Equitable interest and Scottish Declarations of Trust*” and “*Risk Factors – Set-off risk*”.

The relevant Legal Title-Holder may transfer legal title in the Loans to a duly authorised third party or substitute entity at its discretion subject to receipt by the Issuer of a Rating Agency Confirmation.

Servicing of the Mortgage Pool

In respect of certain specified items, such as the discretionary, as opposed to the procedural, aspects of the enforcement of Loans and their Collateral Security against Borrowers in default and other discretionary matters, the Issuer has delegated certain decision making powers to the Special Servicer, who will be appointed by the Issuer and the Trustee pursuant to the Special Servicer Agreement.

Provided prior notification has been given to the Issuer, the Trustee and the Rating Agencies, the Special Servicer is permitted to sub-contract or delegate its obligations under the Special Servicer Agreement subject to the conditions that (a) a Rating Agency Confirmation is obtained (or deemed to be waived), and (b) the relevant sub-contractor or delegate will perform the special servicer functions on behalf of the Special Servicer so as to ensure that KMC (in its various capacities as lender of record, Mortgage Administrator and Special Servicer) complies with its obligations under the FSMA and MCOB.

The appointment of the Special Servicer may be terminated by the Issuer and the Trustee upon the occurrence of certain Special Servicer termination events. See “*Special Servicer Termination Events*” in the section entitled “*Triggers Tables – Non-Rating Triggers Table*” below.

The Special Servicer may also resign upon giving six months’ notice provided, *inter alia*, a substitute special servicer has been appointed.

Mortgage Administrator

On the Issue Date, the Mortgage Administrator will delegate its responsibilities and obligations as Mortgage Administrator to Homeloan Management Limited (“**HML**”) but will have, pursuant to the Mortgage Administration Agreement, an option to delegate all or a part of its functions as Mortgage Administrator instead to Acenden Limited (“**Acenden**”) or another third party instead of HML, subject to the conditions set out therein. If the Mortgage Administrator opts to delegate any of its responsibilities and obligations to Acenden it shall provide prior notice of such appointment to the Rating Agencies together with a copy of the form of delegation agreement appointing Acenden and a description of the mechanics transferring the relevant responsibilities and obligations from KMC and/or HML, as applicable, to Acenden. Any appointment of another third party instead of HML or Acenden will require, among other things, receipt of Rating Agency Confirmation.

However, the Mortgage Administrator remains liable at all times for servicing the Loans and for the acts or omissions of any delegate or subcontractor.

See the sections entitled “*The Legal Title-Holders, the Mortgage Administrator and the Special Servicer*” and “*Administration, Servicing and Cash Management of the Mortgage Pool*”.

Upon the occurrence of a Mortgage Administrator Termination Event, the Issuer (with the consent of the Trustee) or the Trustee may revoke the agency (and, simultaneously, the rights) of the Mortgage Administrator. Following the occurrence of such a Mortgage Administrator Termination Event, the Issuer (with the consent of the Trustee) or the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administration Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administration Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of its selection (the “**Proposed Replacement**”) to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement, the Issuer shall appoint the Proposed Replacement as Mortgage Administrator on substantially the same terms as set out in the Mortgage Administration Agreement, provided however that any such appointment shall be subject to the prior written consent of the Trustee.

Special Servicer

Provided prior notification has been given to the Issuer, the Trustee and the Rating Agencies, the Special Servicer is permitted to sub-contract or delegate its obligations under the Special Servicer Agreement subject to certain conditions including that a Rating Agency Confirmation is obtained (or deemed to be waived).

Under the Special Servicer Agreement, the Issuer will grant the Special Servicer full right, liberty and authority from time to time to determine and set the rate or rates of interest applicable to the Loans in accordance with the terms of such Loans. This will include the right to determine, in accordance with the terms of MVR Standard Mortgages and KVR Standard Mortgages, the discretionary element of the margin applicable to the MVR Standard Mortgages and KVR Standard Mortgages. In the Special Servicer Agreement, the Special Servicer will covenant not to set the KVR Standard Mortgage Rate or the MVR Standard Mortgage Rate below the applicable Floor Level unless there are sufficient funds standing to the credit of the Shortfall Ledger (net of all provisions previously made in the relevant Interest Period) equal to the Issuer Payment Amount for such Interest Period and the Issuer makes a provision in the Shortfall Ledger equal to such Issuer Payment Amount.

In the event that the KVR Standard Mortgage Rate or MVR Standard Mortgage Rate is set below the Floor Level for a particular Interest Period, the Cash/Bond Administrator on behalf of the Issuer shall be entitled to apply amounts standing to the credit of the Shortfall Ledger equal to the Issuer Payment Amount for that Interest Period on the next following Interest Payment Date.

Following the occurrence of a Perfection Event which involves the full transfer of legal title to the Loans, the Special Servicer shall not be entitled to, and the Issuer shall procure that the Special Servicer does not, set the KVR Standard Mortgage Rate or MVR Standard Mortgage Rate at a level lower than the Floor Level.

“Issuer Payment Amount” means an amount calculated, in respect of the relevant Interest Period, as being the shortfall in interest received in respect of any Loans with a KVR Standard Mortgage Rate or MVR Standard Mortgage Rate lower than the applicable Floor Level that are no more than three months in arrears for the relevant Interest Period on the basis of the interest rates set by the Special Servicer as compared to the amounts which would have been received had the rates been set at the relevant Floor Level and on the basis that the same proportion of interest due at such Floor Level would be received in respect of the relevant Loans as was actually received.

“Floor Level” means, in respect of a KVR Standard Mortgage Rate, 3 month Sterling LIBOR as set on the relevant Rate Setting Date plus 2.50%, and in respect of an MVR Standard Mortgage Rate, 3 month Sterling LIBOR as set on the relevant Rate Setting Date plus 1.50%

“Rate Setting Date” means:

- (a) in respect of MVR Standard Mortgages, the penultimate Business Day of February, May, August and November in each year; and
- (b) in respect of KVR Standard Mortgages, the penultimate Business Day of February, May, August and November in each year.

Cash/Bond Administrator

The Cash/Bond Administrator will delegate certain of its responsibilities and obligations under the Cash/Bond Administration Agreement in relation to bond administration and investor reporting to Wells Fargo Bank International. However, the Cash/Bond Administrator remains liable at all times for the bond administration and investor reporting of the Issuer and for the acts or omissions of any delegate or sub-contractor.

Full Capital Structure of the Notes

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

	Class A	Class B	Class C	Class D	Class E	Class F1	Class F2	Class F3	Class Z	Class X1	Class X2	Class R
Currency	£	£	£	£	£	£	£	£	£	£	£	£
Initial Principal Amount	370,500,000	54,600,000	38,000,000	14,000,000	15,200,000	5,100,000	5,100,000	5,100,000	16,321,000	25,400,000	100,000	100,000
Credit Enhancement	Subordination of B Notes, C Notes, D Notes, E Notes and F Notes; Excess Spread; Non-Liquidity Reserve Fund	Subordination of C Notes, D Notes, E Notes and F Notes; Excess Spread; Non-Liquidity Reserve Fund	Subordination of D Notes, E Notes and F Notes; Excess Spread; Non-Liquidity Reserve Fund	Subordination of E Notes and F Notes; Excess Spread; Non-Liquidity Reserve Fund	Subordination of F Notes; Excess Spread; Non-Liquidity Reserve Fund	Subordination of F2 Notes and F3 Notes	Subordination of F3 Notes	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Liquidity Support	Liquidity Reserve Fund and Available Principal Funds to make up a Revenue Shortfall	Available Principal Funds to make up a Shortfall subject to the relevant PDL Condition	Available Principal Funds to make up a Shortfall subject to the relevant PDL Condition	Available Principal Funds to make up a Shortfall subject to the relevant PDL Condition	Available Principal Funds to make up a Shortfall subject to the relevant PDL Condition	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Issue Price	100%	100%	100%	100%	100%	100%	100%	100%	100%	Not Applicable	Not Applicable	Not Applicable
Coupon on Fixed Rate Notes	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	5.00 % per annum	Not Applicable	Not Applicable
Interest Reference Rate on Floating Rate Notes	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	3 Month Sterling LIBOR	Not Applicable	Not Applicable	Not Applicable
Relevant Margin prior to Step-Up Date	1.15% per annum	1.65% per annum	2.00% per annum	2.50% per annum	3.35% per annum	4.50% per annum	4.50% per annum	4.50% per annum	4.50% per annum	Not Applicable	Not Applicable	Not Applicable
Relevant Margin following Step-Up Date	1.73% per annum	2.48% per annum	3.00% per annum	3.50% per annum	4.35% per annum	6.75% per annum	6.75% per annum	6.75% per annum	0.50% per annum	Not Applicable	Not Applicable	Not Applicable
Step-Up Date	Interest Payment Date falling in June 2020.											

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F1</u>	<u>Class F2</u>	<u>Class F3</u>	<u>Class Z</u>	<u>Class X1</u>	<u>Class X2</u>	<u>Class R</u>
Interest Accrual Method	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	30/360	Actual/365	Actual/365
Interest Payment Dates	Interest will be payable in respect of the Notes quarterly in arrear on 15 March, 15 June, 15 September and 15 December in each year or, if such day is not a Business Day, the next following Business Day											
Business Day Convention	Following	Following	Following	Following	Following	Following	Following	Following	Following	Following	Following	Following
First Interest Payment Date	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015	Interest Payment Date falling in June 2015 ¹	Interest Payment Date falling in June 2015 ²
First Interest Period	The period from the Issue Date to the first Interest Payment Date.											
Pre-Enforcement Redemption Profile	Sequential pass-through redemption. Please refer to Condition 5 (<i>Redemption</i>).											
Post-Enforcement Redemption Profile	Pass-through redemption in accordance with the Post-Enforcement Priority of Payments. Please refer to Condition 2(d) (<i>Post-Enforcement Priority of Payments</i>).											
Call Option Date	Any Interest Payment Date falling on or after June 2020.											
Optional Call	On any Interest Payment Date falling on or after the Call Option Date, the Issuer may redeem the Senior Notes with the proceeds of a sale of the Charged Property to the holders of the Z Notes provided that such sale proceeds, together with amounts standing to the credit of the Bank Accounts and any other funds available to the Issuer, are sufficient to (I) redeem all of the A Notes to F3 Notes (inclusive) in full together with accrued and unpaid interest on such Notes; (II) redeem such Principal Amount Outstanding of the Z Notes as is equivalent to the amount credited to the Reserve Fund Ledger on the Issue Date, (III) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or <i>pari passu</i> with the Senior Notes on such Interest Payment Date and (IV) and any other costs associated with the exercise of the optional call. See Condition 5(d)(i) (<i>Optional Redemption in Full</i>).											
Clean Up Call	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
Pre-Call Redemption Profile	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through
Post-Call Redemption Profile	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through	Sequential pass-through
Other Early Redemption in	Tax call. Please refer to Condition 5(e) (<i>Optional Redemption for Taxation or Other Reasons</i>).											

¹ Residual amounts on the X2 Notes shall only be paid out of Available Revenue Funds prior to the Step-Up Date.

² Residual amounts on the R Notes shall only be paid out of Available Revenue Funds from (and including) the Step-Up Date.

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>	<u>Class F1</u>	<u>Class F2</u>	<u>Class F3</u>	<u>Class Z</u>	<u>Class X1</u>	<u>Class X2</u>	<u>Class R</u>
Full Events												
Final Redemption Date	Interest Payment Date falling in June 2046	Interest Payment Date falling in June 2046	Interest Payment Date falling in June 2046	Interest Payment Date falling in June 2046	Interest Payment Date falling in June 2046	Interest Payment Date falling in June 2046	Interest Payment Date falling in June 2046	Interest Payment Date falling in June 2046	Interest Payment Date falling in June 2046	Interest Payment Date falling in June 2046	Step-Up Date	Interest Payment Date falling in June 2046
Form of the Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes	Bearer Global Notes
Application for Listing	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
Reg S ISIN	XS1200096995	XS1200099155	XS1200102124	XS1200102470	XS1200102637	XS1200103106	XS1200103445	XS1200103791	XS1200104252	XS1200104682	XS1200105572	XS1200105812
Reg S Common Code	120009699	120009915	120010212	120010247	1200102637	120010310	120010344	120010379	120010425	120010468	120010557	120010581
Clearance/Settlement	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg
Minimum Denomination	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof
Retained Amount	A holding of the F2 Notes, F3 Notes and/or Z Notes, as applicable, in such amounts as to maintain the Retained Interest at not less than the Retention Requirement.											

TRANSACTION OVERVIEW – TERMS AND CONDITIONS OF THE NOTES

Please refer to the section entitled “*Terms and Conditions of the Notes*” for further information in respect of the terms of the Notes.

Ranking

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

Class A Notes will rank senior to the other Classes of Notes as to payments of interest and principal at all times.

The Most Senior Class is:

- (a) the A Notes whilst they remain outstanding; and
- (b) thereafter the B Notes whilst they remain outstanding; and
- (c) thereafter the C Notes whilst they remain outstanding; and
- (d) thereafter the D Notes whilst they remain outstanding; and
- (e) thereafter the E Notes whilst they remain outstanding; and
- (f) thereafter the F1 Notes whilst they remain outstanding; and
- (g) thereafter the F2 Notes whilst they remain outstanding; and
- (h) thereafter the F3 Notes whilst they remain outstanding; and
- (i) thereafter the Z Notes whilst they remain outstanding; and
- (j) thereafter the X1 Notes whilst they remain outstanding; and
- (k) thereafter the X2 Notes whilst they remain outstanding; and
- (l) thereafter the R Notes whilst they remain outstanding.

Ranking of Payments of Interest

Payments of interest on the Notes (other than the X Notes and the R Notes) will be made in the following order of priority:

- (a) *first*, to the A Notes;
- (b) *second*, to the B Notes; and
- (c) *third*, to the C Notes; and
- (d) *fourth*, to the D Notes; and
- (e) *fifth*, to the E Notes; and
- (f) *sixth*, to the F1 Notes; and
- (g) *seventh*, to the F2 Notes; and
- (h) *eighth*, to the F3 Notes; and
- (i) *ninth*, to the Z Notes.

See Condition 4 (*Interest*) for further information.

Ranking of Payments of Principal

Payments of principal on the Notes (other than the X Notes and the R Notes) will be made in the following order of priority:

- (a) *first*, to the A Notes; and
- (b) *second*, to the B Notes; and
- (c) *third*, to the C Notes; and
- (d) *fourth*, to the D Notes; and
- (e) *fifth*, to the E Notes; and
- (f) *sixth*, to the F1 Notes; and
- (g) *seventh*, to the F2 Notes; and
- (h) *eighth*, to the F3 Notes; and
- (i) *ninth*, to the Z Notes.

Post-Enforcement Trigger Event

Payments of interest and principal on the Notes will be made in accordance with the Post-Enforcement Priority of Payments from (and including) (i) the date on which the Trustee gives notice to the Issuer pursuant to Condition 9(a) (*Events of Default*) declaring the Notes to be due and repayable, (ii) the Final Maturity Date, (iii) the Interest Payment Date on which the relevant Notes are redeemed in accordance with Condition 5(d) (*Optional Redemption in Full*) or Condition 5(e) (*Optional Redemption for Taxation or Other Reasons*) and (iv) the date on which the E Notes have been redeemed in full (each such date a “**Post-Enforcement Trigger Event**”).

See Condition 5 (*Redemption*) for further information.

Payments on the X Notes

Investors in the X Notes should also be aware that prior to the occurrence of a Post-Enforcement Trigger Event, (i) payments of interest and principal in respect of the X1 Notes and (ii) payments in respect of the X2 Notes, in each case, shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments.

Following a Post-Enforcement Trigger Event payments in respect of the X1 Notes and the X2 Notes will, in each case, be made in accordance with the Post-Enforcement Priority of Payments.

Payments in respect of the X2 Notes will only be payable to the extent there are residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payment (or residual funds under the Post-Enforcement Priority of Payments, if applicable) up to (but excluding) the Step-Up Date, on which date they shall be deemed repaid in full.

Payments on the R Notes

Each R Note represents a *pro rata* entitlement to receive any residual balance following payment of all senior items in the relevant Priority of Payments by way of deferred consideration for the purchase by the Issuer of the Completion Mortgage Pool.

In addition, the R Notes will also be entitled to the aggregate of all amounts (if any) which remain standing to the credit of the Start-Up Costs Ledger after all Issuer Costs and Expenses have been finally determined and paid by the Cash/Bond Administrator on behalf of the Issuer. For the avoidance of doubt, these amounts will not form part of the Available Revenue Funds.

Payments in respect of the R Notes shall only be payable (i) from (and including) the Step-Up Date, out of residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payment (or residual funds under the Post-Enforcement Priority of Payments, if applicable) and (ii) at any time out of residual Available Principal Funds. For the avoidance of doubt, prior to the Step-Up Date, any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payment or the Post-Enforcement Priority of Payment will be payable to the X2 Notes and no such amounts shall be payable to the R Notes.

Security

The Notes are secured and will share the Security with other Secured Creditors as set out in, and created pursuant to, the Deed of Charge described in Condition 2(b) (*Security*). The Security granted by the Issuer pursuant to the Deed of Charge includes:

- (a) first fixed equitable charges and security over the Issuer's present and future right, title, benefit and interest in, to and under the English Loans, the English Mortgages and their related Collateral Security;
- (b) an equitable assignment in favour of the Trustee of the Issuer's interests in the Insurance Contracts to the extent that they relate to the Loans;
- (c) an assignment in favour of the Trustee of the Issuer's right, title, interest and benefit in, to and under the Charged Obligation Documents;
- (d) a first fixed charge in favour of the Trustee over (i) the Issuer's interest in the Bank Accounts and any Authorised Investments, (ii) the Issuer's beneficial interest in the Collection Accounts and (iii) any other accounts with any bank or financial institution in which the Issuer now or in the future has an interest (to the extent of its interest);
- (e) pursuant to one or more Supplemental Deeds of Charge to be entered into pursuant to the Deed of Charge on the Issue Date, an assignation in security of the Issuer's beneficial interest in the Scottish Loans and their related Collateral Security (comprising the Issuer's beneficial interest under the trust declared by the Legal Title-Holders over such Scottish Loans and their related Collateral Security for the benefit of the Issuer pursuant to each Scottish Declaration of Trust entered into on the Issue Date); and
- (f) a first floating charge in favour of the Trustee (ranking after the security referred to in (a) to (e) above) over the whole of the undertaking, property, assets and rights of the Issuer.

Some of the other secured obligations rank senior to the Issuer's

obligations under the Notes in respect of the allocation of proceeds as set out in the Post-Enforcement Priority of Payments.

See also the Risk Factor “*Risk Factors – Fixed charges may take effect under English law as floating charges*”.

Interest Provisions

Please refer to “*Transaction Overview – Full Capital Structure of the Notes*” and Condition 4 (*Interest*).

Interest Deferral

To the extent that, on any Interest Payment Date, the Issuer does not have sufficient funds to pay in full interest on the B Notes, C Notes, D Notes, E Notes, F Notes, Z Notes or X1 Notes, this payment may, provided such Class is not the Most Senior Class, be deferred. Any amounts of Interest Shortfall will accrue additional interest as described in Condition 4(k) (*Deferral of Interest*) and payment of any additional interest will also be deferred. The non-payment of any deferred interest on any Class of Notes will not be an Event of Default unless and until such Notes are the Most Senior Class.

Payment of the shortfall representing Interest Shortfall and such additional interest will be deferred until the first Interest Payment Date on which the Issuer has sufficient funds, *provided that* the payment of such shortfall shall not be deferred beyond the Final Maturity Date, as described in Condition 4(k) (*Deferral of Interest*). On such date, any amount which has not by then been paid in full shall become due and payable.

Gross-up

None of the Issuer, the Principal Paying Agent, any other Paying Agent nor any other person will be obliged to gross up payments to the Noteholders if there is any withholding or deduction for or on account of taxes from any payments made to the Noteholders.

Redemption

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

- (a) mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 5(a) (*Final Redemption of the Notes*);
- (b) mandatory partial redemption in part on any Interest Payment Date commencing on the first Interest Payment Date, subject to the availability of Available Principal Funds on the basis of sequential pass-through redemption, as fully set out in Condition 5(b) (*Mandatory Redemption of the Notes*);
- (c) optional redemption of the Senior Notes exercisable by the Issuer in whole (but not in part) on any Interest Payment Date falling on or after June 2020 (the “**Call Option Date**”) with the proceeds of a sale of the Charged Property (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) to the holders of the Z Notes, as fully set out in Condition 5(d)(i) (*Optional Redemption in Full*);
- (d) optional redemption exercisable by the Issuer in whole (but not in part) with the proceeds of a sale of the Charged Property (together with any amounts then standing to the credit of the Bank Accounts and any other funds available

to the Issuer) to the holders of the Z Notes, if the aggregate Principal Amount Outstanding of the Senior Notes is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Senior Notes upon issue, as fully set out in Condition 5(d)(ii) (*Optional Redemption in Full*);

- (e) optional redemption exercisable by the Issuer in whole (but not in part) for tax reasons, as fully set out in Condition 5(e) (*Optional Redemption for Taxation or Other Reasons*).

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

Relevant Dates and Periods

Issue Date: The date of initial issuance for the Notes will be 20 March 2015 (or such other date as the Issuer and the Joint Lead Managers may agree).

Final Maturity Date / maturity of X2 Notes: Unless previously redeemed in full, the Issuer will redeem the Notes (other than the X2 Notes which will be deemed to have matured on the Step-Up Date) in full (together with all interest accrued thereon) on the Interest Payment Date falling in June 2046.

Interest Payment Date: Each interest-bearing Note will bear interest on its Principal Amount Outstanding from, and including, the Issue Date. Interest will be payable in respect of the Notes quarterly in arrear on 15 March, 15 June, 15 September and 15 December in each year or, if such day is not a Business Day, the next following Business Day. The first Interest Payment Date in respect of the Notes will be the Interest Payment Date falling in June 2015.

Interest Period: The period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date *provided that* the first Interest Period shall be the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date.

Business Day: A day on which commercial banks and foreign exchange markets settle payments in London.

Determination Date: The second Business Day prior to each Interest Payment Date or, if such day is not a Business Day, the immediately preceding Business Day.

The Determination Date is the date on which the Cash/Bond Administrator will be required to calculate, among other things, the amounts required to pay interest and principal in respect of the Notes (as set out in the Cash/Bond Administration Agreement).

Determination Period: Each Determination Period is the period ending on the fourth Business Day of the calendar month in which a Determination Date falls and starting on the calendar day immediately following the fourth Business Day of the calendar month in which the immediately preceding Determination Date falls, save in respect of the first Determination Period which shall start on the Issue Date.

Interest Determination Date: The Agent Bank will, at 11.00 a.m. (London time) on the first day of an Interest Period, determine the rate of LIBOR applicable to, and calculate the amount of interest payable on the relevant Notes for the Interest Period which ends immediately following such Interest Determination Date, *provided however that* with respect to the first Interest Determination Date, such rate shall be set on the Issue Date.

Events of Default

As fully set out in Condition 9 (*Events of Default*), which includes (where relevant subject to the applicable grace period):

- (a) non-payment by the Issuer of principal or interest in respect of the Most Senior Class within 10 Business Days following the due date;
- (b) breach of contractual obligations by the Issuer under the Notes or the Trust Deed where such failure continues for a period of 30 days;
- (c) certain insolvency events of the Issuer (as more fully set out in Conditions 9(a)(iii) to (v) (*Events of Default*)); or
- (d) it is or will become unlawful for the Issuer to perform or comply with its obligations,

provided that, in respect of (b) and certain of the events in (c) above, the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class.

Enforcement

If an Event of Default has occurred and is continuing, the Trustee may, and shall, if so requested by (a) in writing by the holders of at least 25% of the Principal Amount Outstanding of the Most Senior Class or (b) by an Extraordinary Resolution of the Noteholders of the Most Senior Class (but, in each case, only if it has been indemnified and/or secured (including by way of prefunding) to its satisfaction) deliver an Enforcement Notice and institute such

proceedings as it may think fit to enforce payment of the Notes together with accrued interest.

Limited Recourse

All the Notes are limited recourse obligations of the Issuer and, if the Issuer has insufficient funds to pay amounts in full, amounts outstanding will cease to be due and payable as described in more detail in Condition 10(b) (*Limited Recourse*).

Non-Petition

The Noteholders shall not be entitled to take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure is continuing. Please see Condition 10(c) (*Non-Petition*).

Governing Law

English law.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the detailed information set out in the section entitled “*Credit Structure*”) and reach their own views prior to making any investment decision.

Risks Related to the Notes

Limited liquidity

Prior to their issuance, there will have been only a limited primary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide holders of the Notes with liquidity of investment or that it will continue for the life of the Notes.

If no secondary market develops, the holders of the Notes may not be able to sell the Notes prior to maturity. Further, because of the restrictions on transfer of the Notes, the holders of the Notes must be able to bear the risk of their investment in the Notes for an indefinite period of time.

Absence of secondary market or lack of liquidity in the secondary market may adversely affect the market value of the Notes

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default in relation to the Notes while any of the Loans are still outstanding, may depend upon whether the Loans can be realised to obtain an amount sufficient to redeem the Notes.

There is not, at present, an active and liquid secondary market for the Notes, and there can be no assurance that a secondary market for the Notes will develop. To date, none of the Joint Lead Managers have indicated that they intend to establish a secondary market in the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until the X2 Maturity Date in the case of the X2 Notes and the Final Maturity Date in the case of all other Classes of Note or, alternatively, such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

The secondary market for mortgage-backed securities has in the past experienced significant disruptions resulting from, among other things, reduced investor demand for such securities. This has resulted in the secondary market for mortgage-backed securities similar to the Notes experiencing very limited liquidity during such severe disruptions. Limited liquidity in the secondary market could have a material adverse effect on the market value of mortgage-backed securities including the Notes issued by the Issuer, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. It is not known whether such disruptions to the market will reoccur.

Whilst central bank schemes such as the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, such as mortgage-backed securities, the eligibility criteria have become and may continue to become more restrictive, which is likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities for the purpose of such facilities.

In addition, potential investors should be aware that global markets have recently been negatively impacted by the then prevailing global credit market conditions and reduced growth expectations for the Organisation for Economic Co-operation and Development economies, which could affect any secondary market for instruments similar to the Notes. In particular, at the date of this Prospectus, as well as the current challenges

facing the European macro-economic environment, certain European governments are in discussions with other countries in the Eurozone, the International Monetary Fund and other creditors and are in the process of establishing or have already established and are implementing an austerity programme. It is unclear what the effect of these discussions will be on the Eurozone economy. This uncertainty may have implications for the liquidity of the Notes in the secondary market.

Economic conditions in the Eurozone

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

The Notes may not be a suitable investment for all investors

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

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

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

Yield and prepayment considerations

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of payment of principal in respect of the Loans in the Mortgage Pool (including prepayments, sale proceeds arising on enforcement of a Mortgage, and repurchases by the Seller, the Guarantor or any affiliate thereof due to, for example, breaches of representations and warranties) on the Loans and the price paid by the holders of the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans.

The rate of prepayment of Loans cannot be predicted and 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. The Loans may be prepaid in

full or in part at any time. Prepayments may result in connection with refinancings of Loans, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgage, as well as the receipt of proceeds from building insurance and life insurance policies. No assurance can be given as to the level of prepayment that the Mortgage Pool will experience. See “*Weighted Average Lives of the Notes*” below. The yield to maturity of a series of Notes may also be affected if the Seller, the Guarantor or one of its affiliates is required to repurchase Loans from the Mortgage Pool (see “*Sale of the Mortgage Pool – Warranties and Repurchase*”).

CRA3

Prospective investors are responsible for ensuring that an investment in the Notes is compliant with all applicable investment guidelines and requirements and in particular any requirements relating to ratings. In this context, prospective investors should note the provisions of Regulation 462/2013 (EU) which amends Regulation (EC) 1060/2009 on Credit Rating Agencies (together, “**CRA3**”) which became effective on 20 June 2013. CRA3 requires, among other things, issuers or related third parties intending to solicit a credit rating of a structured finance instrument to appoint at least two credit rating agencies to provide credit ratings independently of each other. Additionally, CRA3 requires certain additional disclosure to be made in respect of structured finance transactions. The scope, extent and manner in which such disclosure should be made are detailed in technical standards adopted by ESMA on 30 September 2014. Investors should consult their legal advisors as to the applicability of CRA3 in respect of their investment in the Notes.

Risks Associated with Rising Mortgage Rates

Increases in LIBOR, by which the Mortgage Rates payable under loans linked to LIBOR are calculated, or in the KVR Standard Mortgage rate, the MVR Standard Mortgage Rate or the Bank Base Rate Mortgage Rate, may result in Borrowers with a loan subject to a variable rate of interest being exposed to increased monthly payments as and when the related mortgage interest rate adjusts upward. This increase in Borrowers’ monthly payments may result in higher delinquency rates and losses for the Issuer in the future.

Risks relating to the Cash/Bond Administrator and incorrect payments

The Conditions provide that if, for whatever reason, an incorrect payment is made to any party entitled thereto (including the Noteholders of any Class) pursuant to the Pre-Enforcement Priority Of Payments, the Cash/Bond Administrator will, to the extent the same is possible, rectify the same by increasing or reducing payments to such party (including the Noteholders of any Class), as appropriate, on each subsequent Interest Payment Date or Interest Payment Dates to the extent required to correct the same (as set out in the Cash/Bond Administration Agreement). Accordingly, increased or reduced payments may be made to Noteholders.

In circumstances where the Performance Report or other relevant information is not available, such that the Cash/Bond Administrator cannot determine the Revenue Receipts and Principal Receipts in respect of any Determination Period, the amount of Revenue Receipts and Principal Receipts for the purposes of such determination shall be estimated by reference to the three most recent Determination Periods.

If a Performance Report is subsequently delivered in respect of any subsequent Determination Period and for the Determination Periods where no such information was available, then: (i) the Revenue Receipts and the Principal Receipts will be calculated on the basis of the information in such Performance Report; and (ii) one or more reconciliation payments in respect of a Reconciliation Amount may be required to be made by the Issuer on the related and subsequent Interest Payment Dates in order to account for any overpayment(s) and/or underpayment(s) made on any Interest Payment Date during the relevant period of estimations in accordance with Condition 4(l) (*Determinations and Reconciliation*) and the Cash/Bond Administration Agreement.

Liability under the Notes

The Notes will be obligations solely of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations of, and will not be guaranteed by, or be the responsibility of the Account Bank, the Collection Account Provider, the Arranger, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Corporate Services Provider, the Trustee, the Security Trustee, the Investment Account Provider, the Mortgage Administrator, the Mortgage Administration

Facilitator, the Seller, the Guarantor, the Principal Paying Agent, the Special Servicer, the Joint Lead Managers, the GIC Provider, the Subordinated Lender or anyone other than the Issuer.

The Notes will be limited recourse obligations of the Issuer. If, and to the extent that, after the Charged Property has been realised and the proceeds thereof have been applied in accordance with the applicable Priority of Payments, either (x) the amounts recovered on realisation of the Charged Property are insufficient to pay or discharge amounts due from the Issuer to the Noteholders in full for any reason or (y) the proceeds in accordance with the applicable Priority of Payments the principal amount outstanding has not been fully repaid on the A to X1 Notes, the Issuer will have no liability to pay or otherwise make good any such insufficiency or shortfall.

Ratings of the Rated Notes

The ratings assigned to the Rated Notes are based on the Loans, the Security, the Mortgage Pool and relevant structural features of the transaction, which may include, among other things, the short-term unsecured, unguaranteed and unsubordinated debt ratings and the long-term ratings of the Account Bank. These ratings reflect only the views of the Rating Agencies in respect of the Rated Notes.

The ratings that are assigned to the Rated Notes do not represent any assessment of the yield to maturity that a holder of a Rated Note may experience.

The ratings assigned by the Rating Agencies address the likelihood of full and timely payment of interest due to the holders of the Rated Notes on each Interest Payment Date and (b) full payment of principal due to the holders of the Rated Notes by a date that is not later than the Final Maturity Date for the Rated Notes.

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. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the other ratings, the market value and/or the liquidity of the Rated Notes.

Credit rating agencies other than S&P or Moody's could seek to rate the Rated Notes without having been requested to do so by the Issuer and, if such unsolicited ratings are lower than the comparable ratings assigned to the Rated Notes by S&P and/or Moody's, those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Rated Notes. In addition, the mere possibility that a rating could be issued may affect price levels in any secondary market that may develop. In this Prospectus, all references to ratings are to ratings assigned by the relevant Rating Agencies.

A Rating Agency may lower, withdraw or qualify its rating if, in the sole judgement of the Rating Agency, the credit quality of the Rated Notes has declined or is in question. A Rating Agency may also change its criteria and/or methodology at any time and the application of its revised criteria and/or methodology may lead it to lower, withdraw or qualify its rating of the Rated Notes. If any rating assigned to the Rated Notes is downgraded or withdrawn, the market value and/or liquidity of the Rated Notes may be reduced.

Rating Agencies' Confirmation

Where it is necessary for the Trustee to determine, in its opinion, for the purposes of exercising any right, power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Transaction Documents, whether or not such exercise will be materially prejudicial to the interests of the Noteholders or any Class of Noteholders, the Trustee shall be entitled, in making such a determination, to take into account any other things it may, in its absolute discretion, consider necessary and/or appropriate, any confirmation by a Rating Agency (if available) that the then current ratings of the Rated Notes or, as the case may be, the Rated Notes of such Class will not be downgraded, withdrawn or qualified, and that, where any original rating of the Rated Notes or, as the case may be, the Rated Notes of such Class has been and continues to be downgraded, restoration of such original rating would not be prevented, as a result of such exercise. For the avoidance of doubt, such rating confirmation shall not be construed to mean that any such exercise by the Trustee of any right, power, trust, authority, duty or discretion under or in relation to the Rated Notes, the Conditions or any of the Transaction Documents is not materially prejudicial to the interests of the holders of the Rated Notes or, as the case may be, the Rated Notes of the relevant Class; and the non-receipt of such rating confirmation shall not be construed to mean that any such exercise by the Trustee as aforesaid is materially prejudicial to the interests of the holders of the Rated Notes or, as the case may be, the Rated Notes of the relevant Class.

No assurance can be given that any or all of the Rating Agencies will provide any such confirmation or that, depending on the timing of the delivery of the request and any information needed to be provided, it may be the case that the Rating Agencies cannot provide their confirmation in the time available and, in either case, the Rating Agencies will not be responsible for the consequences thereof. However, if a confirmation is provided, it should be noted that a Rating Agency's decision to reconfirm a particular rating may be made on the basis of a variety of factors. In particular, the holders of Rated Notes should be aware that the Rating Agencies owe no duties whatsoever to any parties to the transaction (including the Noteholders) in providing any confirmation of ratings. No assurance can be given that a requirement to seek ratings confirmation will not have a subsequent impact upon the business of the Borrowers. In addition, it should be noted that any confirmation of ratings:

- (a) only addresses the effect of any relevant event, matter or circumstance on the current ratings assigned by the relevant Rating Agency to the Rated Notes;
- (b) does not address whether any relevant event, matter or circumstance is permitted by the Transaction Documents and the Note Purchase Agreement; and
- (c) does not address whether any relevant event, matter or circumstance is in the best interests of, or prejudicial to, some or all of the Noteholders or other Secured Creditors.

No assurance can be given that any such reconfirmation will not be given in circumstances where the relevant proposed matter would materially adversely affect the interests of Noteholders of a particular Class.

The Rating Agencies, in assigning credit ratings, do not comment upon the interests of the holders of securities (such as the Rated Notes).

The implementation of certain matters pursuant to the Transaction Documents is subject to the receipt of written confirmation from each Rating Agency then rating the Notes that the then current ratings of each Class of Notes rated thereby will not be qualified, downgraded or withdrawn as a result of such modification, *provided that* (i) if any Rating Agency then rating the Notes provides a waiver or acknowledgement indicating its decision not to review or otherwise declining to review the matter for which the Rating Agency Confirmation is sought, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed waived, (ii) if any Rating Agency does not provide a formal Rating Agency Confirmation, provided no indication is received from such Rating Agency that any such action or inaction will negatively impact the rating of the Notes, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed waived, and (iii) the Trustee may, in accordance with the Transaction Documents, waive the requirement for a Rating Agency Confirmation to be obtained (a "**Rating Agency Confirmation**"). It is possible that, in certain circumstances, amendments are made to the Transaction Documents notwithstanding the fact that a Rating Agency Confirmation is not obtained.

The Trustee may agree to modifications to the Transaction Documents without the Noteholders' prior consent, which may adversely affect the Noteholders' interests

Pursuant to the terms of the Trust Deed and the Deed of Charge, the Trustee may, without the consent or sanction of any of, or any liability to, any Noteholder or Couponholder:

- (a) concur with any person in making or sanctioning:
 - (i) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation,
 - (ii) any other modification (excluding a Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Notes of such Class, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class (other than any Noteholders of the Most Senior Class who have confirmed their consent in writing to the relevant modification, waiver or authorisation); or

- (iii) any modification of any of the provisions of the Transaction Documents which in the opinion of the Trustee are necessary to facilitate the appointment of a replacement Mortgage Administrator selected by the Mortgage Administration Facilitator in accordance with the terms of the Mortgage Administration Agreement; or
- (b) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class (other than any holders of the Most Senior Class who have confirmed their consent in writing to the relevant waiver, authorisation or determination),

provided that the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution of holders of the Most Senior Class or a request made pursuant to Condition 9 (*Events of Default*).

Neither the Trustee nor the Security Trustee shall be obliged to agree to any modification of the Trust Deed, the Conditions or any other Transaction Document which (in the sole opinion of the Trustee and/or the Security Trustee) would have the effect of: (x) exposing the Trustee (and/or the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (y) increasing the obligations or duties, or decreasing the protections of the Trustee (and/or the Security Trustee) in the Transaction Documents, the Trust Deed and/or the Conditions.

Risks relating to Noteholder Meetings

An initial meeting of the Noteholders may be held on 21 clear days' notice. The requisite quorum in respect of Ordinary Resolutions is two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than 25% of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting. The requisite quorum in respect of Extraordinary Resolutions is two or more persons holding or representing Noteholders holding Notes of in aggregate a clear majority of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting, except in relation to a Basic Terms Modification. The requisite quorum in respect of Extraordinary Resolutions to approve a Basic Terms Modification requires two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than 75% of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting.

An adjourned meeting of the Noteholders may be held on not less than 14 nor more than 42 clear days' notice. The requisite quorum in respect of Ordinary Resolutions is two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than 10% of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting. The requisite quorum in respect of Extraordinary Resolutions is two or more persons holding or representing Noteholders holding Notes of in aggregate not less than 25% of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting, except in relation to a Basic Terms Modification. The requisite quorum in respect of Extraordinary Resolutions to approve a Basic Terms Modification requires two or more persons holding Notes or representing Noteholders holding Notes of in aggregate a clear majority of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting.

As a result of these requirements, it is possible that a valid Noteholder meeting may be held without the attendance of Noteholders who may have wished to attend and/or vote.

The Seller or Guarantor as Noteholder

Each of the Seller and the Guarantor has a right to purchase and hold any Notes. As holder of any Notes, the Seller and/or Guarantor will have a right to vote on any resolution or determination put to Noteholders and the interests of the Seller and/or the Guarantor may differ from those of other Noteholders.

Risks relating to negative consent of Noteholders

An Extraordinary Resolution (other than an Extraordinary Resolution relating to a Basic Terms Modification) or Ordinary Resolution may be passed by the negative consent of the relevant Noteholders. An Extraordinary Resolution or an Ordinary Resolution, as applicable, will be passed by a Class of Notes unless, within 40 days of the requisite notice being given by the Issuer, the Trustee or the Cash/Bond Administrator (as set out in the Cash/Bond Administration Agreement), to such Class of Noteholders in accordance with the provisions of

Condition 14 (*Notice to Noteholders*), (a) in the case of an Extraordinary Resolution, the holders of 10% or more in aggregate of the Principal Amount Outstanding of the Notes of such Class or (b) in the case of an Ordinary Resolution, the holders of 15% or more in aggregate of the Principal Amount Outstanding of the Notes of such Class, have informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution or Ordinary Resolution, as applicable. Therefore, it is possible that an Extraordinary Resolution (other than an Extraordinary Resolution relating to a Basic Terms Modification) could be passed without the vote of any Noteholders or even if holders of up to 9.99% in aggregate of the Principal Amount Outstanding of the relevant Class of Notes objected to it and it is possible that an Ordinary Resolution could be deemed to be passed without the vote of any Noteholders or even if holders of up to 14.99% in aggregate of the Principal Amount Outstanding of the relevant Class of Notes objected to it.

Weighted average life of the Notes

The weighted average lives of the Notes refer to the average amount of time that elapses from the date of issuance of the Notes to the Noteholders to the date of distribution to such Noteholders of payments in net reduction of principal under the Notes (assuming no losses).

The weighted average lives of the Notes will be directly influenced by, amongst other things, the actual rate of redemption of the Mortgages, which in turn, is influenced by the Borrowers' ability to redeem the Mortgages. Where certain Borrowers are able to redeem the Mortgages only through refinancing, the actual rate of redemption may actually be reduced if such Borrowers experience difficulties in refinancing the relevant Loans. Any failure to make timely redemption of the Mortgages will reduce the CPR and increase the average weighted lives of the Notes.

For other factors and assumptions which may affect the weighted average lives of the Notes, see "*Weighted Average Lives of the Notes*".

General legal investment considerations

The investment activities of certain investors are subject to legal investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Notes are legal investments for it, (b) the 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.

Subordination of the Notes

The B Notes are subordinated in right of payment of principal and interest to the A Notes.

The C Notes are subordinated in right of payment of principal and interest to the A Notes and the B Notes.

The D Notes are subordinated in right of payment of principal and interest to the A Notes, the B Notes and the C Notes.

The E Notes are subordinated in right of payment of principal and interest to the A Notes, the B Notes, the C Notes and the D Notes.

The F1 Notes are subordinated in right of payment of principal and interest to the A Notes, the B Notes, the C Notes, the D Notes and the E Notes.

The F2 Notes are subordinated in right of payment of principal and interest to the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the F1 Notes.

The F3 Notes are subordinated in right of payment of principal and interest to the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F1 Notes and the F2 Notes.

The Z Notes are subordinated in right of payment of principal and interest to the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the F Notes.

The X1 Notes are subordinated in right of payment of principal and interest to the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes and the Z Notes.

There is no assurance that these subordination provisions will protect the holders of A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes and the X1 Notes from all risk of loss.

Investors in the X Notes should also be aware that prior to the occurrence of a Post-Enforcement Trigger Event, (i) payments of interest and principal in respect of the X1 Notes and (ii) payments in respect of the X2 Notes, in each case, shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments. Following a Post-Enforcement Trigger Event, payments in respect of the X1 Notes and the X2 Notes will, in each case, be made in accordance with the Post-Enforcement Priority of Payments. Payments in respect of the X2 Notes will only be payable to the extent there are residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments (or residual funds under the Post-Enforcement Priority of Payments, if applicable) up to (but excluding) the Step-Up Date, on which date they shall be deemed repaid in full.

Each R Note represents a *pro rata* entitlement to receive any residual balance following payment of all senior items in the relevant Priority of Payments by way of deferred consideration for the purchase by the Issuer of the Completion Mortgage Pool. Payments in respect of the R Notes shall only be payable (i) from (and including) the Step-Up Date, out of residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payments (or residual funds under the Post-Enforcement Priority of Payments, if applicable) and (ii) at any time out of residual Available Principal Funds. For the avoidance of doubt, prior to the Step-Up Date, any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments will be payable to the X2 Notes and no such amounts shall be payable to the R Notes. As a result there may be insufficient funds or no funds available to make payments on the X1 Notes, the X2 Notes and/or the R Notes.

For further information on the payment of principal on the Notes, please see Condition 5 (*Redemption*).

Rights of Noteholders and Secured Creditors

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise).

If, in the Trustee's opinion, there is a conflict between the interests of:

- (a) (i) the A Noteholders and (ii) the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders, the F Noteholders, the Z Noteholders, the X Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the A Noteholders whose interests shall prevail;
- (b) (i) the B Noteholders and (ii) the C Noteholders, the D Noteholders, the E Noteholders, the F Noteholders, the Z Noteholders, the X Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the B Noteholders whose interests shall prevail;
- (c) (i) the C Noteholders and (ii) the D Noteholders, the E Noteholders, the F Noteholders, the Z Noteholders, the X Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the C Noteholders whose interests shall prevail;
- (d) (i) the D Noteholders and (ii) the E Noteholders, the F Noteholders, the Z Noteholders, the X Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the D Noteholders whose interests shall prevail;
- (e) (i) the E Noteholders and (ii) the F Noteholders, the Z Noteholders, the X Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the E Noteholders whose interests shall prevail;
- (f) (i) the F1 Noteholders and (ii) the F2 Noteholders, the F3 Noteholders, the Z Noteholders, the X Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the F1 Noteholders whose interests shall prevail;

- (g) (i) the F2 Noteholders and (ii) the F3 Noteholders, the Z Noteholders, the X Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the F2 Noteholders whose interests shall prevail;
- (h) (i) the F3 Noteholders and (ii) the Z Noteholders, the X Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the F3 Noteholders whose interests shall prevail;
- (i) (i) the Z Noteholders and (ii) the X Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the Z Noteholders whose interests shall prevail;
- (j) (i) the X1 Noteholders and (ii) the X2 Noteholders and/or the R Noteholders, the Trustee shall give priority to the interests of the X1 Noteholders whose interests shall prevail; and
- (k) (i) the X2 Noteholders and (ii) the R Noteholders, the Trustee shall give priority to the interests of the X2 Noteholders whose interests shall prevail.

So long as any of the Notes are outstanding, the Trustee will have regard solely to the interest of the Noteholders and shall not have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed.

Conflicts of Interest

Certain of the Transaction Parties and their respective affiliates are acting in a number of capacities in connection with the transaction described herein. Those Transaction Parties and any of their respective affiliates acting in such capacities will have only the duties and responsibilities expressly agreed to by each such entity in the relevant capacity and will not, by reason of it or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. In no event shall such Transaction Parties or any of their respective affiliates be deemed to have any fiduciary obligations to any person by reason of their or any of their respective affiliates acting in any capacity.

In addition to the interests described in this Prospectus, the Arranger and the Joint Lead Managers and their respective related entities, associates, officers or employees (each a “**Joint Lead Managers Related Person**”):

- (a) may from time to time be a Noteholder or have other interests with respect to the Notes and they may also have interests relating to other arrangements with respect to a Noteholder or a Note or any other Transaction Party;
- (b) may receive (and will not have to account to any person for) fees, brokerage and commissions or other benefits and act as principal with respect to any dealing with respect to any Notes;
- (c) may purchase all or some of the Notes and resell them in individually negotiated transactions with varying terms; and
- (d) may be or have been involved in a broad range of transactions including, without limitation, banking, lending, advisory, dealing in financial products, credit, derivative and liquidity transactions, investment management, corporate and investment banking and research in various capacities in respect of the Notes, the Issuer or any other Transaction Party or any related entity, both on its own account and for the account of other persons.

Prospective investors should be aware that:

- (i) each Joint Lead Managers Related Person in the course of its business (including in respect of interests described above) may act independently of any other Joint Lead Managers Related Person or Transaction Party;
- (ii) to the maximum extent permitted by applicable law, the duties of each Joint Lead Managers Related Person in respect of the Notes are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and, in particular, no advisory or fiduciary duty is owed to any person. No Joint Lead Managers Related Person shall have any obligation to account to the Issuer, any

Transaction Party or any Noteholder for any profit as a result of any other business that it may conduct with either the Issuer or any Transaction Party;

- (iii) a Joint Lead Managers Related Person may have or come into possession of information not contained in this Prospectus that may be relevant to any Noteholder or to any decision by a potential investor to acquire the Notes and which may or may not be publicly available to potential investors (“**Relevant Information**”);
- (iv) to the maximum extent permitted by applicable law no Joint Lead Managers Related Person is under any obligation to disclose any Relevant Information to any other Joint Lead Managers Related Person, to any Transaction Party or to any potential investor and this Prospectus and any subsequent conduct by an Joint Lead Managers Related Person should not be construed as implying that such Person is not in possession of such Relevant Information; and
- (v) each Joint Lead Managers Related Person may have various potential and actual conflicts of interest arising in the ordinary course of its businesses, including in respect of the interests described above. For example, a Joint Lead Managers Related Person’s dealings with respect to a Note, the Issuer or a Transaction Party may affect the value of a Note.

Prior to the Issue Date, the Joint Lead Managers and/or their affiliates provided financing and/or arranged for the provision of financing (the “**Bridge Financing**”) secured over, among other things, the Mortgage Pool. The Joint Lead Managers expect that a portion of such Bridge Financing will be repaid on or about the Issue Date by the borrower(s) thereof using the proceeds of sale received by the Seller from the Issuer in respect of the Mortgage Pool. In acting as a lender or an arranger of such Bridge Financing, each Joint Lead Manager and its respective affiliates will act in its own commercial interests and will not be required to take into account the interests of the Noteholders or any other party.

These interests may conflict with the interests of a Noteholder, and the Noteholder may suffer loss as a result. To the maximum extent permitted by applicable law, a Joint Lead Managers Related Person is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents or the Notes or the interests described above and may otherwise continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders and the Joint Lead Managers Related Persons may in so doing so act in its own commercial interests and without notice to, and without regard to, the interests of any such person.

Risks Related to the Loans

Extraction of information contained in this Prospectus

The information contained in the section of this Prospectus entitled “*Characteristics of the Provisional Completion Mortgage Pool*” has been extracted from information provided by the Mortgage Administrator (which information has been subject to rounding). Investors should note that none of the information provided in such section has been the subject of an audit. In particular, information relating to CCJs, Bankruptcy Orders or IVAs (in each case, including their Scottish equivalents) has not been subject to due diligence by means of an agreed upon procedure or other similar examination. The Mortgage Administrator is not providing any representations or warranties in respect of this information.

Each of the Arranger and the Joint Lead Managers are entitled to assume that all information provided to them by the Mortgage Administrator for the purpose of reporting on the arithmetic or other accuracy is true and correct and is complete and not misleading and are not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information save that the Mortgage Administrator will be required to advise the Joint Lead Managers if they have not been provided with any of those figures which it is required to provide.

Risks of Losses associated with declining real estate values

An investment in securities such as the Notes that generally represent a secured debt obligation (the security being in respect of Loans beneficially owned by the Issuer) may be affected by, among other things, a decline in real estate values and changes in the Borrowers’ financial condition. All of the Properties are located in England, Wales or Scotland. Approximately 30.78% of the aggregate number of Loans (representing 44.14%

of the aggregate Current Balance of the Loans) are secured by Properties located in the South East of England and Greater London, and approximately 7.33% of the aggregate number of Loans (representing 7.82% of the aggregate Current Balance of the Loans) are secured by Properties located in the South West of England. See the tables entitled “*Distribution of Loans by Region*” under “*Characteristics of the Provisional Completion Mortgage Pool*”. Certain areas of the United Kingdom may from time to time experience declines in real estate values such as has been seen in recent times. No assurance can be given that values of the Properties have remained or will remain at their levels on the dates of origination of the related Loans. If the residential real estate market in the United Kingdom in general, or in the South East of England and Greater London in particular, should experience an overall decline in property values such that the values of the Properties may have reduced during the period starting from the origination of the related Loans until the end of the maturity of the Notes, and the outstanding balances of the Loans become equal to or greater than the value of the Properties, such a decline could in certain circumstances result in the value of the interest in the Properties created by the Mortgages being significantly reduced. To that extent, holders of interests in the Notes will bear all risk of loss resulting from default by Borrowers and will have to look primarily to the value of the Properties for recovery of the outstanding principal and unpaid interest on the delinquent Loans.

Borrowers may default on their Obligations

Borrowers may default on their obligations due under Loans for a variety of financial and personal reasons, including loss or reduction of earnings, illness, divorce and other similar factors which may, individually or in combination, lead to an increase in delinquencies by and bankruptcies of Borrowers. Certain national and international macroeconomic factors may also contribute to or hinder the economic health of a Borrower and thus the economic performance of the Loans.

Geographic concentration of the Loans

To the extent that specific geographic regions have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions, a concentration of the Loans in such a region may be expected to exacerbate all of the risks relating to the Loans described in this section. The Issuer cannot predict when and/or where such regional economic declines may occur, nor to what extent or for how long such conditions may continue, but if the timing and payment of the Loans are adversely affected as described above, the ability of the Issuer to make payments due under the Notes could be reduced or delayed.

Basis risk and risks associated with interest rates

As described in “*Constitution of the Mortgage Pool – The Mortgage Pool*” below, interest in respect of the Loans in the Provisional Completion Mortgage Pool is payable on various bases. Of the Loans in the Provisional Completion Mortgage Pool:

- (a) 0.35% (with an aggregate Current Balance of £2,523,711) are Bank Base Rate Mortgages;
- (b) 82.24% (with an aggregate Current Balance of £411,216,319) are SVR Standard Mortgages;
- (c) 17.40% (with an aggregate Current Balance of £99,552,429) are LIBOR Standard Mortgages; and
- (d) 13.82% (with an aggregate Current Balance of £82,077,752) are Fixed Rate Mortgages.

Certain Loans in the Provisional Completion Mortgage Pool are Fixed Rate Mortgages. Upon expiry of the fixed rate period relating thereto, these Fixed Rate Mortgages will revert to being LIBOR Standard Mortgages.

As a result of the Loans having these different bases, the Issuer is subject to the risk of a mismatch between the interest rate received by the Issuer on the Loans, such potential mismatch being caused by:

- (x) the interest rates received by the Issuer on the Loans being determined on different dates than that on which the interest rate payable on the Notes is determined; and
- (y) the interest rates received by the Issuer on the Bank Base Rate Mortgages and, prior to the expiration of the relevant fixed rate, the Fixed Rate Mortgages being determined on a different basis than that on which the interest rate payable on the Notes is determined.

Fluctuations in the value or the method of calculation of LIBOR could potentially result in (a) the contractual interest rates on the Loans being lower than that required by the Issuer in order to meet its commitments under the Notes and its other obligations and (b) the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes.

In addition, the Issuer is subject to the risk of the weighted average coupon of interest received in respect of the Mortgage Pool being reduced due to Loans with higher interest margins being repaid more quickly than Loans with lower interest margins (“**margin compression**”).

The Issuer is also subject to the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes which risk is mitigated by (i) the Investment Account, which pays a rate of interest agreed from time to time between the Issuer (or the Cash/Bond Administrator on its behalf) and the Investment Account Provider on funds standing to the credit thereof and from which, the Issuer (or the Cash/Bond Administrator on its behalf) may invest sums in Authorised Investments, and (ii) (for so long as the Loans are fully performing) the availability of the Reserve Fund or Available Principal Funds, each of which are available to meet payments of interest due under the Rated Notes and the senior expenses of the Issuer.

Increases in the Bank of England base rate and/or other applicable variable rates may result in 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, being exposed to increased monthly payments as and when the related mortgage interest rate adjusts upward. This increase in borrowers’ monthly payments, ultimately may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid these increased monthly payments (caused by, for example, a rise in the related mortgage interest rates) by refinancing their loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates and losses.

The Loans are subject to variable and fixed interest rates while the Issuer's liabilities under the Class A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes and the Z Notes are based on 3 Month Sterling LIBOR. The Issuer’s liabilities under the X1 Notes are based on a fixed rate of interest.

Further, as at the date of this Prospectus, the Issuer has not entered into any interest rate swap or other hedging transaction in relation to any of the Loans or the Notes, and as a result there is no hedge in respect of the risk of any variances in the interest rates charged on any Loans or the Notes which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors.

Underwriting standards

The Loans have been underwritten generally in accordance with underwriting standards described in “*Constitution of the Mortgage Pool – Lending Criteria*” below. These underwriting standards consider, among other things, a Borrower’s credit history, employment history and status, repayment ability and income multiple or debt service-to-income ratio, as well as the value of the property.

Loans made to Non-Conforming Borrowers may experience higher rates of delinquency, enforcement and bankruptcy than have historically been experienced by loans made to typical “A” rated Borrowers. These underwriting standards are used with a view, in part, to mitigating the risks in lending to Non-Conforming Borrowers. In addition, there can be no assurance that loans with higher loan-to-value ratios will not experience higher rates of delinquency, enforcement and bankruptcy than loans with lower loan-to-value ratios.

There can also be no assurance that these underwriting standards will not be varied or that loans originated under different criteria may not become part of the Mortgage Pool.

For a description of the underwriting standards, see “*Constitution of the Mortgage Pool – Lending Criteria*” below. For a detailed analysis of the Loans constituting the Mortgage Pool on the Issue Date, see “*Characteristics of the Provisional Completion Mortgage Pool*” below.

Warranties

Neither the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Loans and their related Mortgages, and each will rely instead on the Warranties. The sole remedy (save as described below) of the Issuer and the Trustee in respect of a breach of Warranty which could have a material adverse effect on the value of the relevant Loan and related Mortgage (other than where such breach was disclosed at the point of sale to the Issuer (see “*Sale of the Mortgage Pool – Warranties and Repurchase*”)) and which, if capable of remedy, is not so remedied by the Seller within 21 days of notification of such breach to the Seller and the Guarantor by the Issuer, shall be the requirement that the Seller or, failing whom, the Guarantor repurchase, or procure the repurchase by an affiliate, of any Loan which is the subject of any breach in return for a cash payment equal to the principal balance of the relevant Loan and all due but unpaid interest, or at the option of the Seller or Guarantor, as applicable, the substitution of an alternative mortgage loan of an appropriate value, *provided that* this shall not limit any other remedies available to the Issuer and/or the Trustee if the Seller, the Guarantor or an affiliate thereof fails to repurchase a Loan or make a payment when obliged to do so. However, there can be no assurance that the Seller (or, as applicable, the Guarantor or one of its affiliates) will have the financial resources to honour such obligations under the Kayl/Issuer Mortgage Sale Agreement. This may affect the quality of the Loans and their related security in the Mortgage Pool and accordingly the ability of the Issuer to make payments due on the Notes.

Risk of Losses associated with Interest Only Loans

Approximately 59.08% of the aggregate number of Loans (representing 70.29% of the aggregate Current Balance of the Loans) in the Provisional Completion Mortgage Pool constitute Interest Only Loans. Interest Only Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Loan, the Borrower will be required to make a “bullet” repayment that will represent the entirety of the principal amount outstanding thereof. The ability of such a Borrower to repay an Interest Only Loan at maturity may often depend on such Borrower’s ability to refinance the Property or obtain funds from another source such as pension policies, personal equity plans or endowment policies. 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 financial condition of the Borrower and general economic conditions at the time. If a Borrower cannot repay an Interest Only Loan, a loss may occur and this may affect repayments on the Notes.

Risks associated with non-owner occupied Properties

12.56% of the Properties relating to the Loans in the Provisional Completion Mortgage Pool and representing approximately 13.62% of the aggregate Current Balance of the Loans in the Provisional Completion Mortgage Pool by value, are not owner occupied. It is intended that such Properties (save in the case of certain properties held as investments) will be let by the relevant Borrower to tenants but there can be no guarantee that each such Property will be the subject of an existing tenancy when the relevant Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Loan and/or that the rental income achievable from tenancies of the relevant Property will be sufficient to provide the Borrower with sufficient income to meet the Borrower’s interest obligations in respect of the Loan. It is possible that upon enforcement of a Loan in respect of a Property that is subject to an existing tenancy, vacant possession of the Property may not be obtained and that the Property will have to be sold as an investment property with one or more sitting tenants. This may affect the amount realised upon the enforcement of the Mortgage and the sale of the relevant Property. It is possible that the rate of delinquencies, enforcements and losses on such Loans secured by non-owner occupied properties could be higher than for Loans secured by the primary residence of the Borrower. See “*Characteristics of the Provisional Completion Mortgage Pool*”.

Risk associated with Self Certified Loans

Approximately 56.43% of the aggregate number of Loans (representing 61.08% of the aggregate Current Balance of the Loans) in the Provisional Completion Mortgage Pool by value constitute Loans in respect of which income and employment details of the Borrower are not substantiated by supporting documentation (each a “**Self Certified Loan**”). The rate of delinquencies, enforcements and losses on Self-Certified Loans may differ from those in respect of Loans where supporting documentation has been provided in respect of the income or employment details of the Borrower.

Lack of control by Noteholders

The servicing of the Loans will be carried out by the Mortgage Administrator (or any delegate or replacement thereof, as the case may be) with certain functions and discretions being exercised by the Special Servicer. The holders of Notes will have no right to consent to, or approve of, any actions set forth in the Mortgage Administration Agreement or the Special Servicer Agreement (as the case may be). See “*Administration, Servicing and Cash Management of the Mortgage Pool – Mortgage Administration Agreement and Special Servicer Agreement*”.

Flexible Loans

The Mortgage Pool will include Loans originated by KMC where the relevant Borrower may, subject to certain limitations, be entitled to request a Borrow-Back or a Payment Holiday. Amounts that can be requested by Borrowers for Borrow-Backs are subject to (a) a minimum amount equal to the lower of previous unutilised overpayments, being the cumulative amounts paid by Borrowers in excess of their scheduled periodic payments which are not subject to an early redemption charge, and £500, and (b) a maximum amount equal to the amount of unutilised overpayments. In respect of those Loans, the Borrower may only request a maximum of two Payment Holidays in any year, starting on the day the Loan was originally advanced and any payment holiday must be for a minimum period of one month. The balance of all Loans including Borrow-Backs or Payment Holidays as conditions included within the Provisional Completion Mortgage Pool will not exceed 4.82% of the aggregate Balances of all Loans in the Mortgage Pool. The provisions of the CCA, the FSMA and MCOB will have been complied with to the extent they are in force and apply to any such Borrow-Back. To the extent that Borrowers under Flexible Loans consistently prepay principal, the timing of payments on the Notes may be adversely affected. There may be a shortfall in interest receipts and/or principal receipts as a consequence of a Borrower taking a Payment Holiday.

General Risk Factors and Certain Regulatory Considerations

Fixed charges may take effect under English law as floating charges

Pursuant to the terms of the Deed of Charge, the Issuer has purported to grant fixed charges over, amongst other things, its interests in the English Mortgages and their Security and its rights and benefits in the Bank Accounts, and its beneficial interests in the Collection Accounts.

The law in England and Wales relating to the characterisation of fixed charges is not settled. The fixed charges purported to be granted by the Issuer may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the charged property for the security to be said to “fix” over those assets (although it should be noted that there is no equivalent concept of re-characterisation of fixed security as floating charges under Scots law). It should be assumed by Noteholders that the fixed charges will take effect as floating charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets. In particular, the expenses of any administration, and the claims of any preferential creditors and the claims of unsecured creditors would rank ahead of the claims of the Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the United Kingdom tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Issuer has agreed in the Transaction Documents not to have any employees.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer will be required to set aside the prescribed percentage or percentages of the floating charge realisations in respect of the floating charges contained in the Deed of Charge (as described in more detail below under “*English law security and insolvency considerations*”).

Changes 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 relevant law, tax, accounting, regulatory and administrative requirements and practice, in effect as at the date of this Prospectus and having due 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 the relevant law, tax, regulatory, accounting (and any change in regulation which may occur without

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

Further Scottish Devolution

On 18 September 2014, a referendum was held in Scotland on the issue of Scottish independence from the rest of the United Kingdom. The result of the referendum was a majority “no” vote against Scottish independence. However, in the run-up to the referendum, the main Westminster political parties promised (in the event of a no vote) to devolve to the Scottish Parliament additional legislative powers currently reserved to the UK Parliament, such as welfare and income tax raising powers.

A White Paper on the additional devolved powers was published on 27 November 2014 and on 22 January 2015, the UK Government published a Command Paper outlining proposed clauses for a draft Scotland Bill (which is expected to follow later in 2015). Whilst the majority of the proposals (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 Government to control income tax (by raising or lowering the rate of income tax and thresholds for non-dividend and non-savings income of Scottish residents) could mean that borrowers in Scotland are subject to a different rate of income tax from borrowers in the same income bracket in England and Wales, 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 on the Notes.

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

On 8 October 2008, the UK Government announced the introduction of a new credit guarantee scheme pursuant to which the Government would make available to eligible institutions for an interim period a guarantee of new short and medium term debt issuance to assist in refinancing maturing, wholesale funding obligations as they fell due. The UK Government indicated that certain debt instruments including the Notes were not covered by the guarantee provided under the scheme and, as such, for the avoidance of doubt, the obligations of the Issuer in respect of the Notes are not guaranteed by the UK Government under the above credit guarantee scheme. This scheme was closed to new issuance on 28 February 2010 and the scheme closed upon the expiry of the final guarantee on 26 October 2012. In addition, on 19 January 2009, the UK government announced the introduction of the asset backed securities guarantee scheme which closed on 31 December 2009. The Notes are not guaranteed by the UK Government under the asset backed securities guarantee scheme. Also, any investment in the Notes does not have the status of a bank deposit in England and Wales and is not within the scope of the UK Financial Services Compensation Scheme and accordingly, the Notes will not confer any entitlement to compensation under that scheme. As such, the Notes are obligations of the Issuer only and any potential investors should be aware that they will not be able to have recourse to any of the guarantees or compensation schemes set out above in relation to an investment in the Notes.

Help to Buy Scheme not applicable to Loans in the Mortgage Pool

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

Enforcement of Buy-to-Let Loans

Approximately 95.74% of the aggregate Current Balance of the 4,269 Loans in the Provisional Completion Mortgage Pool by value are secured over Properties situated in England and Wales (“**English Loans**”), of which 13.06% of such English Loans are Buy-to-Let Loans. The English Loans are secured over the relevant Properties by way of a fixed charge. The beneficial interest in the English Loans (together with the security thereof) will be transferred to the Issuer pursuant to the Kayl/Issuer Mortgage Sale Agreement.

The Dwelling Houses (Execution of Possession Orders by Mortgagees) Regulations 2010 came into effect on 1 October 2010 and contain new requirements for creditors to give at least 14 days’ notice of their intention to execute a possession order over residential premises which have been let. Additionally, pursuant to the Mortgage Repossessions (Protection of Tenants etc.) Act 2010, a court could delay execution of possession orders for up to two months on an application by a tenant. These changes in the law may delay the relevant Legal Title-Holder exercise of its power of sale in relation to the Buy-to-Let Loans and may in turn reduce the timeliness of receipts receivable by the Issuer under the Mortgage Pool, and may adversely impact on the ability of the Issuer to make payments under the Notes.

Scottish Loans

Approximately 4.26% of the aggregate Current Balance of the Loans in the Provisional Completion Mortgage Pool by value are secured over Properties situated in Scotland (“**Scottish Loans**”). These Loans are secured over the relevant Properties by way of standard security (equivalent to a legal charge in England and Wales), being the only means of creating a fixed charge or security over heritable property (i.e. land and buildings thereon) in Scotland. The beneficial interest in the Scottish Loans (together with the security thereof) will be transferred to the Issuer pursuant to the Scottish Declarations of Trust. In respect of Scottish Loans, references herein to a “mortgage” and a “mortgagee” are to be read as references to such a standard security and the heritable creditor thereunder, respectively. See “*Characteristics of the Provisional Completion Mortgage Pool*”.

A statutory set of “Standard Conditions” is automatically imported into all standard securities although the majority of these conditions may be varied by agreement between the parties. Most lenders in the residential mortgage market vary the Standard Conditions by a “**Deed of Variations**”, the terms of which are in turn imported into each standard security.

The main provisions of the Standard Conditions which cannot be varied by agreement relate to enforcement.

The enforcement of standard securities is principally governed by the Conveyancing & Feudal Reform (Scotland) Act 1970 (the “**1970 Act**”) as amended by the Home Owner & Debtor Protection (Scotland) Act 2010 (the “**2010 Act**”), which was passed by the Scottish Parliament and the relevant provisions of which came into effect on 30 September 2010. While, as in England and Wales, it is in principle possible for a lender to enforce without making application to the court if the borrower voluntarily vacates the property, the statutory requirements imposed on the lender in such cases are onerous and as a consequence court proceedings are in practice almost invariably required.

As a preliminary step the lender must in all cases serve a “calling up notice” requiring repayment of the principal debt and all interest due, with which the borrower has two months to comply. Once the two months’ notice has expired without payment the lender may apply to the court for a decree against the borrower enabling the lender to exercise the relevant enforcement remedies, being principally the sale of the property or entering into possession.

Court application can only be made when certain pre-action requirements imposed by the 2010 Act have been met. These requirements are similar to those of the Pre-Action Protocol applicable in England and Wales (see “*Risk Factors – General Risk Factors and Certain Regulatory Considerations – Pre-action Protocol for mortgage possession cases*”) and require the lender to provide the borrower with various information and to make reasonable efforts to agree repayment proposals with the borrower. In particular, a court application cannot proceed while the borrower is taking steps which are likely to result in repayment of the debt within a reasonable time. The court will not grant decree unless satisfied that the lender has complied with the pre-action requirements and that it is reasonable in the circumstances to do so (and the 2010 Act specifies various factors to be taken into account by the court in assessing reasonableness in this context).

A key difference between the Scottish and English provisions is that in Scotland the lender's application may be contested by an "Entitled Resident" as well as by, and on the same grounds as, the borrower. The definition of "Entitled Resident" is complex but essentially includes anyone resident in the secured property who is or has been a spouse, civil partner or co-habitant of the borrower (but does not include tenants or members of the borrower's family).

The court decree once granted entitles the lender if necessary to evict the borrower and to proceed either to sell the property or itself take possession of it. Sale may be by private bargain or public auction and the lender is under a duty to advertise the sale and to take steps to ensure that the sale price is the best which can reasonably be obtained.

The requirements imposed by the 1970 Act, as amended by the 2010 Act, may restrict the ability of the relevant Legal Title-Holder as heritable creditor of the Scottish Mortgages to exercise its enforcement remedies and this could affect the ability of the Issuer to make payments under the Notes.

Land Registration Reform in Scotland

The Land Registration etc. (Scotland) Act 2012 (the "**2012 Act**") came into force in Scotland on 8 December 2014. One of the policy aims of the 2012 Act is to encourage the transfer of property titles recorded in the historic General Register of Sasines to the more recently established Land Register of Scotland with the aim of eventually closing the General Register of Sasines.

At present, title to a residential property that is recorded in the General Register of Sasines will usually only require to be moved to the Land Register of Scotland (a process known as 'first registration') when that property is sold or if the owner decides voluntarily to commence first registration. However, the 2012 Act provides additional circumstances which, when brought into effect, will trigger first registration of properties recorded in the General Register of Sasines, including (i) the recording of a standard security (which would extend to any standard security granted by the Issuer in favour of the Security Trustee over Scottish Mortgages in the Mortgage Pool recorded in the General Register of Sasines, pursuant to the terms of the Deed of Charge following a Perfection Event (a "**Scottish Sasine Sub-Security**")) or (ii) the recording of an assignation of a standard security (which would extend to any assignation granted by a Legal Title-Holder in favour of the Issuer in respect of Scottish Mortgages in the Mortgage Pool recorded in the General Register of Sasines, pursuant to the terms of the Kayl/Issuer Mortgage Sale Agreement following a Perfection Event (a "**Scottish Sasine Transfer**")).

The relevant provisions of the 2012 Act setting out these additional circumstances are not currently in force but have recently been the subject of a public consultation paper issued on 14 July 2014. The Registers of Scotland published a report on the consultation on 15 February 2015 which has provided some clarity on the timing and practical effect of the introduction of these provisions. Principally, the report confirms that the General Register of Sasines will be closed to the recording of standard securities by the end of 2015. For the time being, other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely (due to a lack of consensus amongst respondents to the consultation on whether other types of deeds should trigger first registration) although the Registers of Scotland have reserved the right to consult further on this issue in the future.

Although not yet confirmed, the intended commencement date of these provisions (the "**Commencement Date**") relating to standard securities will be announced at least 6 months in advance to allow lenders and their advisers time to plan for the change in the registration system and only standard securities created over properties recorded in the General Register of Sasines after the Commencement Date should be affected. As the transaction contemplated by the Transaction Documents involves the sale of a static pool of mortgages and standard securities, these changes should not have any immediate effect in relation to the Scottish Mortgages contained in the Mortgage Pool at the Issue Date.

However, if a Perfection Event occurs following the Commencement Date then an application to record a Scottish Sasine Sub-Security in relation to Scottish Mortgages in the Portfolio (following the transfer of legal title to such Scottish Mortgages by way of a Scottish Sasine Transfer) could trigger a first registration in the Land Register of Scotland of the underlying Scottish Properties secured by the relevant Scottish Mortgages.

The impact of these changes to the Scottish land registration system is unlikely to be of material detriment to the Security Trustee or to the Noteholders for the following reasons: (i) the Registers of Scotland report on the consultation process indicated that whilst these changes are likely to prolong completion of the registration process, where possible they will take a pragmatic view and not burden parties (such as the Issuer, Security Trustee or the Borrower who owns the underlying Scottish Property) with unreasonable or arbitrary costs and in particular the report indicates that the Scottish Ministers intend to make an order under section 110 of the 2012 Act waiving the statutory fee for a first registration where its purpose is the granting of a standard security, which would keep the statutory cost of registering a Scottish Sasine Sub-Security in line with current statutory costs; and (ii) whilst the prolonged registration process is likely to be of practical inconvenience to the Security Trustee and Noteholders, the validity and effectiveness of any Scottish Sasine Sub-Security would be unaffected by the change to the registration system (and the relevant Scottish Mortgages would in any event continue to be covered by the floating charge granted by the Issuer under the Deed of Charge). However, it is not unlikely that, were a Perfection Event to occur after the Commencement Date, the parties involved may still encounter increased legal and other third party costs relating to the first registration process and additional administrative burden.

As noted above, no indication has been given as to when or if the above provisions may be extended to other types of dealing with a standard security, such as assignments. However, if the General Register of Sasines becomes closed to assignments of standard securities under the same provisions at any time subsequent to the Issue Date then this would also have an impact on the registration of Scottish Sasine Transfers executed following a Perfection Event in a manner similar to Scottish Sasine Sub-Securities, with the probability of higher legal costs and a longer period required to complete registration than would currently be the case.

As noted above, such events will only occur following a Perfection Event and given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (Registers of Scotland estimate that in December 2013 57.18% of property titles in Scotland were registered in the Land Register of Scotland) it is likely that, in relation to the current Mortgage Pool where 6.39% of the Properties are located in Scotland, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

Equitable interest and Scottish Declarations of Trust

Legal title to the Mortgages in the Mortgage Pool over registered land in England and Wales or any land in Scotland is, or is in the course of being, registered in the name of the relevant Legal Title-Holder, and will remain with such Legal Title-Holder. The sale by the Seller to the Issuer, of Mortgages over such land will take effect in equity (or, in the case of Scottish Mortgages, will be given effect by means of the Scottish Declarations of Trust, in terms of which the Issuer will acquire the beneficial interest therein) only, since, save in the circumstances set out below, no application will be made to the Land Registry or the Registers of Scotland to register or record the Issuer as legal owner or heritable creditor of such Mortgages. Neither the Issuer nor the Trustee will apply to the Land Registry or the Registers of Scotland to register or record their interest in such Mortgages. See "*Title to the Mortgage Pool*" below.

As a consequence of neither the Issuer nor the Trustee obtaining legal title to the Mortgages by not registering or recording their respective interest in the Land Registry or the Registers of Scotland (where applicable), a *bona fide* purchaser from the relevant Legal Title-Holder for value of any of such Mortgages without notice of any of the interests of the Seller, the Issuer or the Trustee (and certain similar third parties) might obtain a good title free of any such interest. Further, the rights of the Issuer and the Trustee may be or become subject to equities (for example, rights of set-off as between the relevant Borrowers or insurance companies and the relevant Legal Title-Holder). However, the risk of third party claims obtaining priority to the interests of the Seller, the Issuer or the Trustee would be likely to be limited to circumstances arising from a breach by a Legal Title-Holder, the Seller or the Mortgage Administrator (or any delegate or replacement thereof, as the case may be) of its contractual obligations, representations or warranties or fraud, negligence or mistake on the part of the Seller, such Legal Title-Holder or the Mortgage Administrator (or any delegate or replacement thereof, as the case may be) or their respective personnel or agents. (See "*Title to the Mortgage Pool*" below).

Furthermore, for so long as neither the Issuer nor the Trustee have obtained legal title, they must join the relevant Legal Title-Holder as a party to any legal proceedings which they may wish to take against any Borrower or in relation to the enforcement of any Mortgage. In this regard, the relevant Legal Title-Holder will undertake, for the benefit of the Issuer and the Trustee, that it will lend its name to, and take such other steps as may reasonably be required by the Issuer or may be required by the Trustee in relation to, any legal proceeding in respect of any Mortgage. In the event that a Legal Title-Holder is in administration, discretionary leave of the court may be required to join such Legal Title-Holder as a party to such proceedings.

Set-off risk

As described above, the sale by the Seller to the Issuer of the English Loans will be given effect by an equitable assignment and the sale of Scottish Loans will be given effect under the relevant Scottish Declaration of Trust. As a result, legal title to the Loans will remain with the relevant Legal Title-Holder until the occurrence of certain trigger events under the terms of the Kayl/Issuer Mortgage Sale Agreement (see “*Transaction Overview – Triggers Tables – Non-Rating Triggers Table – Perfection Events*”) or until such Legal Title-Holder exercises its discretion to transfer legal title in the Loans to an authorised third party or a substitute entity, subject to receipt of a Rating Agency Confirmation. Therefore, the rights of the Issuer may be subject to “**transaction set-off**”, being the direct rights of the Borrowers against the relevant Legal Title-Holder.

By way of example, the relevant Borrower may set off any claim for damages (including in the exercise of any analogous rights in Scotland) arising from a Legal Title-Holder’s breach of contract against such Legal Title-Holder’s (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Mortgages in the Mortgage Pool, 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 in the immediately preceding risk factor.

The amount of any such claim against the Seller will, in many cases, be the cost to the Borrower of finding an alternative source of funds (although, in the case of a Flexible Loan which is a Scottish Loan, it is possible, though regarded as unlikely, that the Borrower’s rights of set-off could extend to the full amount of the additional drawing). The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from a Legal Title-Holder’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 a Legal Title-Holder’s breach of contract where there are special circumstances communicated by the Borrower to such Legal Title-Holder at the time the Borrower entered into the Loan 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, such Legal Title-Holder 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) decree is obtained.

The exercise of set-off rights by Borrowers may adversely affect the realisable value of the Mortgage Pool and/or the ability of the Issuer to make payments under the Notes.

Effect of the sale of the Mortgage Pool

The Issuer has considered whether the transfer of the Loans and related security pursuant to the terms of the Kayl/Issuer Mortgage Sale Agreement (including, in the case of the Scottish Loans under the Kayl/Issuer Mortgage Sale Agreement, the Scottish Declarations of Trust) is effective to transfer to the Issuer the beneficial ownership of (but not, without further steps being taken, the legal estate in or title to) the Loans, Mortgages and Collateral Security. The Issuer has been advised that, subject to certain assumptions and qualifications, on the basis of the principles set out in *Re George Inglefield* [1933] Ch 1, as considered and applied by the Court of Appeal in *Welsh Development Agency v Export Finance Co. Ltd.* [1992] BCC 270, an English court would find the transfer was not made by way of security and therefore would not be void against a liquidator, administrator or creditor of any Legal Title-Holder or the Seller. The Issuer has likewise been

advised that, subject to certain assumptions and qualifications, a Scottish court would reach the same conclusion in relation to the Scottish Loans. If a court were to find otherwise, investors could be adversely affected.

Mortgages regulated under the Financial Services and Markets Act 2000 (the “FSMA”)

Since 31 October 2004 (the date known as “N(M)”), most first-charge residential mortgage businesses in the United Kingdom have been regulated under the FSMA and brought within the jurisdiction of the Ombudsman. This regulatory power is exercised by the FCA as of 1 April 2013. Prior to that date this power was exercised by the previous regulator, the FSA. Entering into, arranging, advising on and administering Regulated Mortgage Contracts (including arranging and advising on variations to such contracts), and agreeing to do any of these things, are (subject to applicable exemptions) regulated activities under the FSMA requiring authorisation and permission from the FCA.

A credit agreement is a “Regulated Mortgage Contract” if it is originated on or after N(M), or originated prior to N(M) but was varied on or after N(M), and if at the time the contract is entered into: (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by (in England and Wales) a first legal mortgage or charge or (in Scotland) a first ranking standard security on land (other than timeshare accommodation) in the United Kingdom; and (c) at least 40% of that land is used, or is intended to be used, as or in connection with any dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person (broadly, the person's spouse, near relative or a person with whom the person has a relationship which is characteristic of a spouse).

Any person carrying out a regulated activity must either be authorised by the FCA, with specific permission required from the FCA to engage in the activity or be exempted from such authorisation. 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 Loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging in respect of Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotions regime (as regards by whom promotions can be issued or approved) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

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

An unauthorised person may arrange for an authorised person to administer its Regulated Mortgage Contracts but, if that arrangement comes to an end, that unauthorised person may commit an offence if it administers the Regulated Mortgage Contracts for more than one month after the end of the arrangement, although this will not render the contract unenforceable against the borrower.

KMC holds authorisation and permission to enter into and to administer (each as applicable) in respect of Regulated Mortgage Contracts. Subject to any exemption, brokers are required to hold authorisation and permission to arrange and to advise on Regulated Mortgage Contracts.

The Issuer is not and does not propose to be an authorised person 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 in relation to Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FCA authorisation and permission. If such administration agreement terminates or the appointment of an administrator thereunder is terminated, 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 administrator having the required FCA authorisation and permission. In addition, no variation is permitted to be made to a Loan and no further advance or product switch is permitted to be made in relation to a Loan where it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Given that the Issuer will not itself be an authorised person under the FSMA, in the event that an agreement for a Loan 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 entity such as the relevant Legal Title-Holder or the Mortgage Administrator having the required FCA authorisation and permission.

If requirements as to authorisation of lenders and brokers, or as to the issue and approval of advertisements in respect of credit secured on land, are not complied with, a Regulated Mortgage Contract (or other credit secured on land, in the case of requirements as to the issue and approval of advertisements) would be unenforceable against a borrower except with the approval of a court. Under Section 150 of the FSMA, a Borrower may be entitled to claim damages for loss suffered as a result of any contravention of an FCA rule by an authorised person. In the case of such contravention by an Originator, the Borrower may claim such damages against the relevant Originator, or set off the amount of such claim against the amount owing by the Borrower under the Loan or any other loan agreement that the Borrower has taken with that Originator. Any such claim or set-off may adversely affect the ability of the Issuer to make payments to the Noteholders. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after N(M) may commit a criminal offence, but this will not render the Regulated Mortgage Contract unenforceable against the borrower.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**") sets out the FCA's rules for regulated mortgage activities. These rules came into force on 31 October 2004, under the handbook of the previous regulator, the FSA. Since 1 April 2013, these rules are located in the FCA's handbook. These rules cover, among other things, 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.

Failure to comply with the provisions of MCOB will not necessarily render Regulated Mortgage Contracts unenforceable. However, breaches of the rules in MCOB are actionable by borrowers who suffer loss as a result of the contravention. A breach could therefore give rise to a claim by a borrower to set off sums due under a Regulated Mortgage Contract. Any such set-off in relation to a Loan in the Mortgage Pool may adversely affect the Issuer's ability to make payments on the Notes.

Prudential and authorisation requirements placed on authorised persons in respect of regulated mortgage activities came into force on N(M), together with rules covering the extension of the appointed representatives regime (which previously applied to investment business) to mortgages.

The FSMA regime covers contracts entered into, on or after N(M), together with any pre-N(M) contracts which are varied on or after N(M) where a new contract is created (*provided that* the new contract satisfies the definition of Regulated Mortgage Contract). On and after N(M), no variation has been or will be made to the Loans, and nothing has been or will be done in relation to the Loans, where it would result in the Issuer or the Trustee arranging or advising in respect of, or administering or entering into, a Regulated Mortgage Contract (or agreeing to carry on any of these activities), if it would have been or would be required to be authorised under the FSMA to do so. All Loans originated on or after N(M) were intended to be Regulated Mortgage Contracts under the FSMA.

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts will not be regulated by the CCA. 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.

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 FSMA where they fall within the definition of “Regulated Mortgage Contract”.

In June 2010 the previous regulator, the FSA, made changes to MCOB which effectively converted previous guidance on the policies and procedures to be applied by authorised firms with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under the new 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 relevant borrower’s circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. These new rules are currently in effect under the FCA’s MCOB sourcebook. While the FSA has previously indicated that it does not expect each forbearance option referred to in the new rules to be explored at every stage of interaction with the borrower, it is clear that the new rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions. These rules are currently effective under the FCA handbook. As a result, the new rules may operate in certain circumstances to require KMC to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the asset servicing arrangements contemplated by such Transaction Documents) in respect of one or more Loans and the Transaction Documents will provide that KMC will incur no liability as a result thereof. No assurance can be made that any such actions will not impact adversely on the Issuer’s ability to make payments on the Notes, although the impact of this will depend on the number of Loans which involve a Borrower who experiences payment difficulties. Changes in the regulatory structure of the United Kingdom came into effect on 1 April 2013 where the new regulator, the FCA, replaced the previous regulator, the FSA, in relation to regulation of residential mortgage business under the FSMA. It remains to be seen if the new regulator, the FCA, may adopt a more stringent approach towards the regulation of residential mortgage business than that adopted by the FSA.

The European Mortgage Credit Directive (2014/17/EU) (“**MCD**”) was published in the Official Journal of the European Union on 28 February 2014, and entered into force on 21 March 2014. The MCD must be transposed into the national law of Member States by 21 March 2016. In the UK, HM Treasury have indicated that the transposition of the MCD requirements into UK law will take effect through a combination of changes to both FSMA and to applicable FCA rules. The transposition of the MCD requirements into UK law will require changes to the definition of Regulated Mortgage Contract under FSMA. In particular, the definition of Regulated Mortgage Contract will be extended to include second charge mortgage lending. The definition may also be extended to include first mortgages over land where the borrower intends to occupy less than 40% of the land. In addition, a new framework will be introduced for the protection of consumers taking out buy-to-let mortgages.

HM Treasury and the FCA have consulted on the changes required for the transposition of the MCD into UK law. A draft Mortgage Credit Directive Order was published by HM Treasury on 28 January 2015. The FCA is expected to publish a policy statement with its final rules by the end of March 2015.

Until the new rules have been finalised and the MCD is implemented into UK law, it is not possible to ascertain what effect it would have on the Mortgage Pool, the Seller, the Legal Title-Holders, the Issuer and/or the Mortgage Administrator and their respective businesses and operations.

Financial Ombudsman Service

Under the FSMA, the Ombudsman is required to make decisions on, *inter alia*, 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 the circumstances of the case, taking into account, *inter alia*, law and guidance. Transitional provisions exist by which certain complaints relating to breach before N(M) of the then applicable industry code may be dealt with by the Financial Ombudsman Service. Complaints 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 based on, *inter alia*, the principles of fairness and may order a money award to the borrower it is not possible to predict how any future decision of the Ombudsman could affect the ability of the Issuer to make payments to the Noteholders.

Enforcement

Even assuming that the Properties provide adequate security for the Loans, delays could be encountered in connection with enforcement of the Mortgages and recovery of the Loans with corresponding delays in the receipt of related proceeds by the Issuer.

In order to realise its security in respect of a Property, the relevant mortgagee or, in Scotland, heritable creditor (be it the legal owner (a Legal Title-Holder), the beneficial owner (the Issuer) or the Trustee or its appointee (if the Trustee has taken enforcement action against the Issuer)) will need to obtain possession. In England and Wales, there are two means of obtaining possession for this purpose: first, by taking physical possession (seldom done in practice) and secondly, by applying for, obtaining and enforcing a court order.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower at risk of eviction. If a possession order in favour of the relevant mortgagee 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 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 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 to sell the Property within a reasonable time.

If a mortgagee takes physical possession it will, as mortgagee 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 or may incur certain financial liabilities in respect of the Property. 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 Mortgage or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the Mortgage.

The courts in Scotland formerly had considerably less discretion than those in England and Wales to modify or postpone the heritable creditor's (the Scottish equivalent of mortgagee) rights of enforcement but as a result of legislative changes in Scotland the position is now broadly equivalent in each jurisdiction (see "*Risk Factors – General Risk Factors and Certain Regulatory Considerations – Scottish Loans*").

Proceedings for the repossession and/or sale of the relevant property are generally initiated between three and four months after the first default of a scheduled monthly payment.

The Trustee has the absolute discretion, at any time, to refrain from taking any action under the Trust Deed or the Deed of Charge or any of the Transaction Documents including becoming a mortgagee in possession in respect of any property contained within the Mortgage Pool, unless it is satisfied at that time that it is indemnified and/or secured (including by way of prefunding) to its satisfaction against any liability which it may incur by so acting.

Responsible Lending and Dealing with Customers in Arrears

Lenders regulated by the FSMA are subject to “responsible lending” requirements in relation to Regulated Mortgage Contracts. They are obliged to take account of the borrower’s ability to repay before deciding to enter into a Regulated Mortgage Contract (or to make further advances on such a contract). They must also put in place, and operate in accordance with, a written responsible lending policy.

Lenders regulated by the FSMA are subject to rules on treating customers in arrears fairly, including after the sale of repossessed property.

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 Mortgages may be restricted and this may affect the Issuer’s ability to make payments on the Notes.

Non-Status Lending Guidelines for Lenders and Brokers

The OFT issued Non-Status Lending Guidelines for Lenders and Brokers in 1997 (revised in November 1997) (the “**Guidelines**”). The Guidelines apply to all residential mortgage loans made to non-status borrowers, defined for the purposes of the Guidelines as borrowers with a low or impaired credit rating. The Guidelines are therefore applicable to all of the Loans. See “*Constitution of the Mortgage Pool – Lending Criteria*”.

The actions of any broker or other intermediary involved in marketing a lender’s products can jeopardise the lender’s fitness to hold a consumer credit licence, and the Guidelines make clear that lenders must take all reasonable steps to ensure that such brokers and other intermediaries comply with the Guidelines and all relevant statutory requirements. This is so even if the lender has no formal or informal control or influence over the broker.

The Guidelines are not primary or subordinate legislation. As such, they set out certain “principles” to be applied in the context of the non-status residential mortgage market that are considered by the OFT to be good business practice for lenders and brokers to adopt in order that their fitness to hold a consumer credit licence is not brought into question. The Guidelines place certain constraints on lenders in the non-status residential mortgage market in respect of matters such as advertisement of mortgage products, selling methods employed by lenders and their brokers, underwriting, dual interest rates and early redemption payments.

Consumer Credit Acts 1974 and 2006

Certain lending in the United Kingdom is regulated by the CCA. The regulator for credit agreements regulated by the CCA was the Office of Fair Trading (the “**OFT**”) before 1 April 2014, which issued licences and guidance on conduct of business under the CCA, and is the Financial Conduct Authority (the “**FCA**”) from 1 April 2014, which 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. The licensing regime under the CCA is different from, and additional to, the regime for authorisation under the FSMA.

A credit agreement is regulated by the CCA where: (a) the borrower is or includes an “individual” as defined in the CCA; (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 does not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998 or lower amounts for credit agreements made before that date; and (c) the credit agreement is not an exempt agreement under the CCA (for example, it is intended that a Regulated Mortgage Contract under the FSMA is an exempt agreement under the CCA).

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

- (i) determining whether any credit under the CCA arises, or whether any applicable financial limit of the CCA is exceeded;
- (ii) determining whether the credit agreement is an exempt agreement under the CCA (for example, it is intended that a Regulated Mortgage Contract under the FSMA is an exempt agreement under the CCA); or
- (iii) changes to credit agreements.

There is a risk that 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, because of technical rules on (A) determining whether any credit under the CCA arises or whether any applicable financial limit of the CCA is exceeded, (B) the credit agreement is exempt under the CCA and (C) changes to credit agreements.

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, documentation and procedures of credit agreements and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower:

- (x) without an order of the OFT, if the lender or any broker does not hold the required licence at the relevant time;
- (y) totally, if the credit agreement was made before 6 April 2007 and if the form to be signed by the borrower was not signed by the borrower personally or omits or mis-states a “prescribed term”; or
- (z) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender.

A court order under Section 126 of the CCA is necessary to enforce a land mortgage (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 a credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

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

The Consumer Credit Act 2006 (the “CCA 2006”), which amends and updates the Consumer Credit Act 1974, was fully implemented by 31 October 2008.

Under the CCA 2006, the “extortionate credit” regime is replaced by an “unfair relationship” test. The unfair relationship test applies to all existing and new credit agreements except Regulated Mortgage Contracts under the FSMA. The unfair relationship test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee such as the Issuer. In applying the new unfair relationship test, the courts will be able to consider a wider range of circumstances surrounding the transaction, including the creditor’s conduct before and after making the agreement. There is no statutory definition of the word

“unfair”, as the intention is for the test to be flexible and subject to judicial discretion. However, the word “unfair” is not an unfamiliar term in United Kingdom legislation, due to the Unfair Contract Terms Act 1977, and the UTCCR. The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of “treating customers fairly” under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and by the OFT on the unfair relationship test may also be relevant. Once the borrower alleges that an unfair relationship exists, then the burden of proof is on the creditor to prove the contrary.

If a mortgage loan subject to the unfair relationship test is found to be unfair, the court may require the creditor to repay sums to the debtor, to do, not do or cease doing anything in relation to the agreement, reduce or discharge any sums payable by the debtor or surety, return to a surety any security provided by him, alter the terms of the agreement, direct accounts to be taken or otherwise set aside any duty imposed on the debtor or surety. The term creditor as defined under section 189 of the CCA means the person providing the credit under a consumer credit agreement or the person to whom his rights and duties under the agreement have passed by assignment or operation of law.

An alternative dispute resolution scheme for consumer credit matters is run by the Ombudsman (as described below) and was established on 6 April 2007. The scheme is mandatory for all businesses licensed under the CCA. The OFT is given far broader powers under the CCA 2006 from 6 April 2008. For example, it can apply civil penalties, has far greater powers of investigation and can issue indefinite standard licences. For appeals against such decisions by the OFT, the CCA 2006 introduced an independent Consumer Credit Appeals Tribunal, whose functions were transferred to the General Regulatory Chamber on 1 September 2009.

The financial limit of £25,000 for CCA regulation has been removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements, and except for certain 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% 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 when the lender fails to comply with requirements as to default notices. From 1 October 2008: (i) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices; (II) the borrower will not be liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure; and (iii) interest upon default fees will be restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest (i.e. interest may only be calculated on the principal amount of the defaulted loan). Charges payable on any early repayment in full are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies to credit agreements made on or after 31 May 2005, and applies retrospectively to all existing credit agreements from 31 May 2007 or 31 May 2010 depending on their term.

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

These changes to the CCA may adversely affect the Issuer’s ability to make payments in full when due to Noteholders.

The Legal Title-Holders have interpreted certain technical rules under the CCA in a way common with many other lenders in the mortgage market. If such interpretation were held to be incorrect by a court or by the Ombudsman, then a Loan, to the extent that it is regulated by the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of Borrowers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court

decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The transposition of the MCD into UK law is likely to result in certain buy to let and second charge mortgage lending being regulated under FSMA, rather than under the CCA. These changes may require firms conducting such activities to apply to change their Part 4A authorisations to reflect this change. Until the new rules have been finalised and the MCD is implemented into UK law, it is not possible to ascertain what effect it would have on the Mortgage Pool, the Seller, the Legal Title-Holders, the Issuer and/or the Mortgage Administrator and their respective business and operations.

Consumer Credit Directive 2008

In April 2008, the European Parliament and the Council adopted a second Directive on consumer credit (the “**Consumer Credit Directive**”), which provides that, subject to exemptions, loans not exceeding €75,000 will be regulated. This Directive will repeal and replace the first consumer credit Directive on, and requires Member States to implement the Directive by measures coming into force by, 11 June 2010, although the UK Government announced in February 2010 that implementation of the Consumer Credit Directive in the United Kingdom would be delayed. The Consumer Credit Directive came into effect in the United Kingdom on 1 February 2011.

Loans secured by a land mortgage (including, in Scotland, a standard security) are, however, exempted from the Consumer Credit Directive and from the first consumer credit Directive. The European Commission published a White Paper on mortgage credit in December 2007, setting out its tasks for 2008 to 2010 including, among other things, an assessment of the regulation of early repayment charges, pre-contract disclosure and interest rate restrictions. The European Commission has stated that, in its view, it is too early to decide on whether a mortgage directive would be appropriate.

Until the final text of any initiatives resulting from the White Paper process is decided and regulatory guidance on the United Kingdom implementation of the Consumer Credit Directive are published, it is not certain what effect the adoption and implementation of the Consumer Credit Directive or any initiatives resulting from the White Paper process will have on the Loans, KMC and/or the Issuer and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payments in full when due on the Notes.

EU initiatives on Mortgage Credit

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers (Directive 2014/17/EU) (the “**Mortgage Directive**”). The Council of the European Union adopted the Mortgage Directive on 28 January 2014 and it 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 are required to implement the Mortgage Directive into national law within two years after such entry into force.

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

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

Until the Mortgage Directive is implemented into UK law, it is not possible to tell what effect it would have on the Mortgage Pool, the Seller, the Legal Title-Holders, the Issuer and/or the Mortgage Administrator and their respective businesses and operations.

Mortgage repossession

A protocol for mortgage repossession cases in England and Wales came into force on 19 November 2008, which sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders, including the Seller, 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 may be subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Mortgage Repossessions (Protection of Tenants etc.) Act 2010 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.

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

In relation to possession proceedings in Scotland see "*Risk Factors – General Risk Factors and Certain Regulatory Considerations – Scottish Loans*".

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

The Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**") and (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 apply to all or almost all of the Loans.

The UTCCR provides 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 for the UTCCR (such as the FCA) may seek to enjoin a business from relying on unfair terms.

The UTCCR will not affect terms, which set out the main subject matter of the contract such as the borrower's obligation to repay the principal (*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 which are not considered to define the main subject matter of the contract, which may include the ability to choose a substitute for LIBOR where LIBOR cannot be determined under the loan agreement, and certain terms imposing early repayment charges and mortgage exit administration fees, and other terms the application of which are in the lender's discretion.

For example, if a term permitting the lender to vary the interest rate is found to be unfair, the borrower would not be liable to pay the increased rate or, to the extent that he has paid it, would 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 such claim against the amount owing by the borrower under the loan agreement or under any other loan agreement that the borrower has taken with the lender. Any such non-recovery, claim or set-off ultimately may adversely affect the ability of the Issuer to make payments to Noteholders.

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 is 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 FSA issued a statement of good practice on fairness of terms in consumer contracts, which is addressed to firms that are now authorised and regulated by the FCA in relation to products and services within the FCA's regulatory scope. This statement provides, *inter alia*, that a contract "locks in" a consumer where, in order to withdraw from the contract, the consumer is required to give advance notice or to pay a cost or to give up a benefit, and that a firm may consider drafting the contract to permit a change to be made only where any "lock-in" term is not exercised. In the context of the OFT's investigation into credit card default charges, the OFT on 5 April 2006 publicly announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges shall apply (or are likely to apply) also to analogous default charges in other agreements (including those for mortgages). The principles are in essence that terms imposing default fees shall not have the object of raising more in revenue than is reasonably expected to be necessary to recover certain limited administrative costs incurred as a result of a borrower's default.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The 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. The FCA's MCOB requires that, for Regulated Mortgage Contracts (a) arrears charges represent a reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears, and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the balance of any payment shortfall, excluding any interest or charges on that balance.

In October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR, provided that they are written in plain and intelligible language and are adequately drawn to the borrower's attention. In January 2012, the FSA issued a further statement intended to raise awareness of issues that it commonly identifies under the UTCCR.

In 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 FSA's policy on how it will use its powers under the 1999 Regulations. In January 2012, the previous regulator, the FSA published finalised guidance entitled "Unfair contract terms: improving standards in consumer contracts" and "Statement on using Switching Terms in mortgage contracts under the Unfair Terms in Consumer Contracts Regulations 1999". Under the later guidance the FSA considered that terms in interest-only mortgage contracts that allow firms to switch consumers from an interest-only mortgage to a repayment mortgage may be regarded as unfair if they give the firm too broad a discretion to determine when such switching terms will apply. Further, where switching terms are determined to be unfair by a court, the firms will be unable to switch the consumer from an interest-only mortgage to a repayment mortgage, as such switching terms will not bind that consumer. Even with changes in regulatory structure in the United Kingdom that came into effect on 1 April 2013, the guidance issued by the FSA previously remains strongly influential until amendments or new guidance is announced by the FCA. It remains to be seen if the FCA may adopt a more stringent approach towards such regulation than that previously adopted by the FSA.

In March 2013, the Law Commission and the Scottish Law Commission issued advice on unfair terms in consumer contracts to the Department for Business, Innovation and Skills of the United Kingdom on reforming the UTCCR. The Commissions recommended, among other things, that no assessment of fairness

shall be made of a term that specifies the main subject matter of the contract, or of a price term, provided that the term in question is transparent and prominent. The Commissions also recommended that the UTCCR should expressly provide that, in proceedings brought by consumers, the court is required to consider the fairness of a term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the Consumer Rights Bill which was first presented to Parliament in January 2014.

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

The guidance issued by the FSA, FCA and OFT has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the UTCCR will not have a material adverse effect on the Seller, the Legal Title-Holders, the Issuer and their respective businesses and operations. There can be no assurance that any such legislative and regulatory changes (including changes in regulators' responsibilities) will not affect the Loans.

In January 2014, KMC gave an undertaking to the FCA (the "**FCA Undertaking**") in which it agreed not to rely on a number of terms in the Money Partners Limited Mortgage Conditions Booklet 2004 England and Wales (the "**MPL Mortgage Conditions**") for which KMC is the lender of record. The FCA Undertaking is available in the investor reporting section for the Issuer on the following website: www.ctslink.com. Such terms had been found by the FCA to be "likely to be unfair under the UTCCR" on account of the discretion afforded the lender of record. KMC also acknowledged that two of its terms were not expressed in plain, intelligible language. These undertakings affect all customers who have mortgages that are subject to the MPL Mortgage Conditions. KMC does not believe that the giving of the FCA Undertaking adversely impacts its administration of the relevant loans but does regard itself as bound by the same form of undertaking in relation to all Loans which contain the same or substantially similar terms and is in the process of writing to the relevant customers accordingly. This will include Kensington originations prior to 2009.

Any regulatory or legislative changes or further actions required of KMC and its affiliates such as those described above may adversely affect the ability of the Issuer to make payments to the Noteholders.

Financial Services (Distance Marketing) Regulations 2004

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 lender 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. Any other credit agreement will be cancellable under these regulations, if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. The borrower may send notice of cancellation under these regulations 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 lender to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower sending notice of cancellation or, if later, the 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 those amounts, affecting the Issuer's ability to make payments in full on the Notes when due.

Consumer Protection from Unfair Trading Regulations 2008

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). The Unfair Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTRs**"). The CPUTRs came into effect on 26 May 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTRs are not concerned solely with financial services, they do apply to the residential mortgage market. The OFT and FSA agreed a concordat, most recently in November 2009, to co-ordinate enforcement action and co-operate regarding the delivery of consumer protection in relation to the CPUTRs.

Under the CPUTRs a commercial practice is to be regarded as unfair and prohibited if it is:

- (a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or general principles of good faith in the trader's field of activity; and
- (b) materially distorts or is likely to materially distort the economic behaviour of the average consumer (who is reasonably well-informed and reasonably observant and circumspect, and taking into account social, cultural and linguistic factors) who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group).

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair. The effect (if any) of the CPUTRs on the Loans, the Seller, the Legal Title-Holders or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator.

No assurance can be given that the CPUTRs will not adversely affect the ability of the Issuer to make payments to Noteholders.

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

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

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, *inter alia*, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that generally 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, to verify the income of a borrower and (in the case of interest-only loans) to ensure that the borrower has a credible strategy to repay the capital borrowed.

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

Under the Financial Services Act 2012: (a) carrying on servicing activities in certain circumstances renders the credit agreement unenforceable, by a person exercising the rights of the lender without FCA permission to do so, 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, particularly where issues identified potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress schemes.

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

Risks relating to the Banking Act 2009

Under the Banking Act 2009 (the “**Banking Act**”), substantial powers have been granted to HM Treasury, the Bank of England and the FSA (which term, when used in relation to a date on or after 1 April 2013, shall be deemed to refer to the FCA and/or PRA (as applicable)) (the FSA together with HM Treasury and the Bank of England, the “**Authorities**”) as part of the special resolution regime (the “**SRR**”). These powers (which apply regardless of any contractual provisions) enable the Authorities to deal with and stabilise United Kingdom-incorporated institutions with permission to accept deposits pursuant to Part IV of the FSMA (such as the Account Bank, the Collection Account Provider and the Investment Account Provider) (each a “**relevant entity**”) that are failing or are likely to fail to satisfy the threshold conditions (within the meaning of section 41 of the FSMA). The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” wholly-owned by the Bank of England; and (iii) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances. This may result in a change in the contractual terms applicable to the Notes without the consent of the Noteholders. It is possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the relevant entity could be made.

The Banking Act also includes provisions relating to two new insolvency procedures which may be commenced by specified UK authorities (bank insolvency and bank administration). The Banking Act also vests power in the Bank of England (amongst other things) to override, vary or impose contractual obligations between a UK bank (or any UK holding company of a UK bank) and its former group undertakings (as defined in the Banking Act), for reasonable consideration, in order to enable any transferee or successor bank of such UK bank (or any UK holding company of such UK bank) to operate effectively. There is also power for HM Treasury to amend the law (save for a provision made by or under the Banking Act) by order for the purpose of enabling it to use the special resolution regime powers effectively, potentially with retrospective effect.

In general, the Banking Act requires the 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 transfer instruments and orders made under it. The Authorities are also empowered by order to amend the law for the purpose of enabling the powers under the SRR to be used effectively. An order may make provision which has retrospective effect. In general, there is considerable uncertainty about the scope of the powers afforded to 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 Banking Act in respect of a relevant entity, such instrument or order may (amongst other things) affect the ability of such entity to satisfy its obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined “default events” have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination and acceleration events and 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 may affect the ability of the Issuer to meet its obligations in respect of the Notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

At present, the Authorities have not made an instrument or order under the Banking Act in respect of the relevant entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

Potential effects of any additional regulatory changes

No assurance can be given that action and rules and regulations, additional to those discussed above, from any regulatory authority will not be implemented with regard to the mortgage market in the United Kingdom generally, the particular sector in that market in which KMC operates or specifically in relation to KMC. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Loans, KMC and the Issuer and their respective businesses and operations. This may adversely affect the Issuer’s ability to make payments to the Noteholders.

English law security and insolvency considerations

The Issuer will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes. In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired. While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

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

- (a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. While it is anticipated that the requirements of this exception will be met, it should be noted that the Secretary of State for Business, Innovation and Skills may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and

- (b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), certain “small” companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital markets and/or which has a liability in excess of a certain amount. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State for Business, Innovation and Skills may by regulation modify these exceptions.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a question 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. (See “*Liquidation Expenses*” below).

Insolvency proceedings and subordination provisions

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

The UK Supreme Court has recently affirmed that such a subordination provision is valid under English law. Contrary to the determination of the UK Supreme Court, the US Bankruptcy Court recently held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known. Like the recent English decision, the US decision may be subject to appeal.

If a creditor of the Issuer or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents. Laws may be relevant in certain circumstances with respect to a range of entities, including US established entities and certain non-US established entities with assets or operations in the US (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed branch in a US state). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

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

Liquidation Expenses

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

On this basis and as a result of the changes described above, in a winding up of the Issuer, floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Deed of Charge may be reduced by at least a significant proportion of any liquidation expenses. There can be no assurance that the holders of the Notes will not be adversely affected by such a reduction in floating charge realisations.

Impact of regulatory initiatives on certain investors

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

Compliance with European risk retention requirements

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

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes for certain categories of investor. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non-compliance with the relevant EU risk retention and due diligence requirements should seek guidance from their regulator and/or independent advice on the issue. In this regard investors should be aware that although the Notes to be held by the Seller are transferable instruments, the Seller has covenanted to maintain its retention, on an ongoing basis as an originator within the meaning of the CRR, with a material net economic interest of at least 5% in the securitisation, in accordance with the Retention Requirement. Any change to the manner in which such interest is held will be notified to investors.

With respect to the commitment of the Seller to retain a material net economic interest in the securitisation constituted by the transaction and with respect to the information to be made available by the Issuer or another relevant party, please see the statements set out in the section of this Prospectus headed “*Retention Requirements and the Retained Interest*”. 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 Arranger, the Joint Lead Managers, the Guarantor, the Seller or any other party to a Transaction Document makes any representation that the information described above is sufficient in all circumstances for such purposes.

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

In the event that a regulator determines that your investment in the Notes did not comply or is no longer in compliance with the EU risk retention and due diligence requirements described above, then you may be required by your regulator to set aside additional capital against your investment in the Notes or take other corrective action. In addition, affected investors may be less likely to purchase any of the Notes, which may have a negative impact on the ability of investors in the Notes to resell their Notes in the secondary market or on the price realised for such Notes.

Implementation of, and amendments to, the Basel III framework may affect the regulatory capital and liquidity treatment of the Notes

The Basel III reform package (a regulatory capital and liquidity framework approved by the Basel Committee on Banking Supervision (the “**Basel Committee**”) in 2011) has been implemented in the European Economic Area (the EEA) through the CRR and an associated directive (the re-cast Capital Requirements Directive (the “**CRD**”) (and together with the CRR, “**CRD IV**”), which was published in the Official Journal of the European Union on 27 June 2013. The CRR establishes a single set of harmonised prudential rules for financial institutions and certain minimum liquidity standards which apply directly to all credit institutions in the EEA, with the CRD containing less prescriptive provisions which (unlike the CRR, which applies across the European Union without the need for any member state-level legislation) are required to be transposed into national law. Together the CRR and CRD reinforce capital standards and establish a leverage ratio “backstop”. Full implementation began from 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely effective by 2019 and some minor transitional provisions provide for phase-in until 2024). As CRD IV allows certain national discretions, the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published certain proposed revisions to the securitisation framework, including changes to the approaches to calculating risk weights and a new risk weight floor of 15%.

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

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

Tax Considerations:

United Kingdom Taxation Position of the Issuer

The Taxation of Securitisation Companies Regulations (the “**Tax Regulations**”) were made under section 84 of the Finance Act 2005 (now section 624 of the Corporation Tax Act 2010) on 11 December 2006 to deal with the corporation tax position of securitisation companies such as the Issuer with effect for their periods of account beginning on or after 1 January 2007. If the Tax Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on an opinion received from White & Case LLP, the Issuer considers that it will be taxed under the special taxation regime for which provision is made by the Tax Regulations. Investors should note, however, that the Tax Regulations are in short form and it is expected that advisors will rely significantly upon guidance from the United Kingdom tax authorities when advising on the scope and operation of the Tax Regulations including whether any particular company falls within the regime provided for in the Tax Regulations. Investors should note that if the Issuer did not fall to be taxed under this regime then its profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. In addition, the deduction of interest paid on the Notes could be disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits of the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to Noteholders.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, 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 its jurisdiction to or for the benefit of an individual resident in that other Member State or certain limited types of entities established in that other Member State.

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

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

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

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

Withholding or deduction under the Notes and Coupons

In the event that a withholding or deduction for or on account of any taxes is imposed by applicable law in respect of amounts payable under the Notes or Coupons, neither the Issuer nor the any Paying Agent nor other person is obliged to gross up or otherwise compensate holders of Notes or Coupons for the lesser amounts which they will receive as a result of the imposition of such withholding or deduction. Following the imposition of such withholding or deduction, the Issuer may redeem the Notes subject to the requirements of

and in accordance with Condition 5(e) of the Notes (*Redemption – Optional Redemption for Taxation or Other Reasons*) if the Issuer has sufficient funds available, thereby shortening the average lives of the Notes.

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

FATCA imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

Whilst the Notes are in global form and held within the Clearing Systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Clearing Systems (see the section entitled “*Taxation*”). 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. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has paid the Principal Paying Agent and the Principal Paying Agent has paid the Clearing Systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the Clearing Systems and custodians or intermediaries. In no circumstances will the Issuer be required to gross-up any payments in respect of any FATCA withholding.

The proposed financial transactions tax (FTT)

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

Under the Commission’s proposal, the FTT would apply to persons both within and outside of the participating member states. Generally, it would apply where at least one party is a financial institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, “established” in a participating member state in a broad range of circumstances, including (a) by transacting with a person established in a participating member state or (b) where the financial instrument which is subject to the financial transaction is issued in a participating member state.

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

A joint statement issued in May 2014 by ten of the eleven participating member states indicated an intention to implement the FTT progressively, such that it would initially extend to transactions involving shares and certain derivatives, with this initial implementation occurring by 1 January 2016. However, full details are not available and further changes could be made prior to adoption.

The FTT proposal remains subject to negotiation between the participating member states. It may therefore be altered prior to any implementation. Additional EU member states may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

General Considerations

Reliance on Third Parties

The Issuer has engaged KMC to administer the Mortgage Pool pursuant to the Mortgage Administration Agreement. While KMC is under contract to perform certain mortgage settlement and related administration services under the Mortgage Administration Agreement, there can be no assurance that they will be willing or able to perform these services in the future. In the event KMC is replaced as Mortgage Administrator, there may be losses or delays in processing payments on the Mortgage Pool due to a disruption in mortgage administration during a transfer to a successor Mortgage Administrator. This may cause delays in payments or losses under the Notes. In order to reduce this risk, the Mortgage Administrator has agreed to delegate certain of its obligations pursuant to the terms of the Mortgage Administration Agreement. In addition, the Issuer has appointed the Mortgage Administration Facilitator pursuant to the Mortgage Administration Agreement to assist it in the selection of a replacement Mortgage Administrator in the event of the occurrence of a Mortgage Administrator Termination Event (as described below). See *“The Legal Title-Holders, the Mortgage Administrator and the Special Servicer – Kensington Mortgage Company Limited”*.

Pursuant to the Investment Account Agreement, the Investment Account Provider will provide the Issuer with a rate of interest to be agreed from time to time with the Issuer (or the Cash/Bond Administrator on its behalf) on funds on deposit in the Investment Account. See *“Credit Structure – Investment Account”*. In the event that the Investment Account Provider was to fail to perform its obligations under the agreement to which it is a party, investors may be adversely affected. In addition, in the event that the rating by any of the Rating Agencies of the Collection Account Provider, the Account Bank or the Investment Account Provider is downgraded, it is possible that such Collection Account Provider, Account Bank or Investment Account Provider (as the case may be) may no longer meet the rating requirements as set out in the sections entitled *“Transaction Overview – Triggers Tables – Rating Triggers Table – Collection Account Provider”* and *“Transaction Overview – Triggers Tables – Rating Triggers Table – Account Bank and Investment Account Provider”*. There can be no assurance that the Collection Account Provider, the Account Bank or the Investment Account Provider or the Issuer will be able to procure that the Collection Account Provider, the Account Bank or the Investment Account Provider be replaced within 30 days of the downgrade of the relevant entity and there is therefore a risk that the Rated Notes will be downgraded in such circumstances.

Investors should note that upon the occurrence of a Mortgage Administrator Termination Event, the Issuer (with the consent of the Trustee) or the Trustee may revoke the agency (and, simultaneously, the rights) of the Mortgage Administrator. Following the occurrence of such a Mortgage Administrator Termination Event, the Issuer (with the consent of the Trustee) or the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administration Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administration Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of the Proposed Replacement to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement, the Issuer shall appoint the Proposed Replacement as Mortgage Administrator on substantially the same terms as set out herein, provided however that any such appointment shall be subject to the prior written consent of the Trustee.

Accordingly, where the Mortgage Administration Facilitator makes such a selection, and provided certain other requirements are met, it is possible that the identity of the Mortgage Administrator will change, and accordingly, the counterparty exposure of the Issuer and Noteholders to the Mortgage Administrator may also change. As this right may be exercised whenever a Mortgage Administrator Termination Event occurs, the identity of the Mortgage Administrator may change more than once during the duration of the Notes.

However, notwithstanding the above, no assurance can be given that a replacement mortgage administrator will be identified by the Mortgage Administration Facilitator upon the occurrence of a Mortgage Administrator Termination Event or that such replacement will be completed.

As a result of the risk highlighted in the preceding paragraph, the inclusion of this right of replacement may mean that the value of the Notes from time to time may be lower than their value would otherwise have been had no such replacement right been included.

Minimum Denominations

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

Book-Entry Interests

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

The Common Safekeeper will be the bearer and sole legal Noteholder of the Global Notes. Accordingly, each person owning a Book-Entry Interest may 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 in such entities or on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

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, direct participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of book entry interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an event of default, holders of book-entry interests will be restricted to acting through Euroclear or Clearstream, Luxembourg (as the case may be) unless and until individual note certificates are issued. There can be no assurance that the procedures to be implemented by Euroclear or Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed and/or Deed of Charge.

Payments of principal and interest on, and other amounts due in respect of, the Global Notes will be made by the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg. Upon receipt of any payment from the Principal Paying Agent, Euroclear and/or Clearstream, Luxembourg, as applicable, will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect 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 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 Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among participants 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, or the Trustee, or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

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

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Borrowers to pay interest, principal or other amounts on the Loans and consequently the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons, and the Issuer does not represent that the above statements regarding the risk of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus lessen some of the risks for the Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to the Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.

**RIGHTS OF NOTEHOLDERS AND
RELATIONSHIP WITH OTHER SECURED CREDITORS**

Please refer to the section entitled “*Terms and Conditions of the Notes*” for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationships with other Secured Creditors.

Prior to an Event of Default

Noteholders holding not less than 10% of the aggregate Principal Amount Outstanding of the Notes then outstanding of the relevant Class or Classes are entitled to convene a meeting of such Class or Classes of Noteholders by written consent. The Issuer, the Trustee or the Cash/Bond Administrator may also convene Noteholder meetings (at the cost of the Issuer) for any purpose, including consideration of Extraordinary Resolutions and Ordinary Resolutions.

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

Following an Event of Default

If an Event of Default occurs and is continuing, the holders of the Most Senior Class may, if they hold at least 25% of the Principal Amount Outstanding of the Most Senior Class or if they pass an Extraordinary Resolution, direct the Trustee to give an Enforcement Notice to the Issuer pursuant to which each Class of the Notes shall become immediately due and repayable at their respective Principal Amount Outstanding together with any accrued interest subject to the Trustee being indemnified and/or secured (including by way of prefunding) to its satisfaction.

Noteholders Meeting Provisions

	<u>Initial Meeting</u>	<u>Adjourned Meeting</u>
Notice period:	21 clear days for the initial meeting.	Not less than 14 nor more than 42 clear days for the adjourned meeting.
Quorum for Ordinary Resolution:	Two or more persons holding or representing not less than 25% of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting.	Two or more persons holding or representing not less than 10% of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the adjourned meeting.
Quorum for Extraordinary Resolution (other than to approve a Basic Terms Modification):	Two or more persons holding or representing a clear majority of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting.	Two or more persons holding or representing not less than 25% of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the adjourned meeting.

Quorum for Extraordinary Resolution to approve a Basic Terms Modification:	Two or more persons holding or representing not less than 75% of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting.	Two or more persons holding or representing a clear majority of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the adjourned meeting.
Required majority for Ordinary Resolution:	Not less than 50.1% of the persons voting at the meeting upon a show of hands or, if a poll is demanded, not less than 50.1% of the votes cast on such poll.	
Required majority for Extraordinary Resolution:	Not less than 75% of the persons voting at the meeting upon a show of hands or, if a poll is demanded, not less than 75% of the votes cast on such poll.	
Written Resolution:	In the case of an Extraordinary Resolution, not less than 75% of the Principal Amount Outstanding of the relevant Class or Classes of Notes. In the case of an Ordinary Resolution, not less than 50.1% of the Principal Amount Outstanding of the relevant Class or Classes of Notes. A written resolution has the same effect as an Ordinary Resolution or an Extraordinary Resolution (as applicable). There is no requirement as to the minimum number of Noteholders of any Class who must vote in favour of a Written Resolution.	

Basic Terms Modification

Any amendment to the following matters would be a Basic Terms Modification which requires an Extraordinary Resolution of each Class of Notes:

- (a) the maturity of the Notes or the dates on which interest is payable in respect of the Notes;
- (b) a reduction of the amount due in respect of, or cancellation of the principal amount of, or interest on the Notes or variation of the method of calculating the Floating Rate of Interest on the Floating Rate Notes;
- (c) the priority of payment of interest or principal on the Notes;
- (d) the currency of payment of the Notes or the Coupons;
- (e) the definition of Basic Terms Modification; or
- (f) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Basic Terms Modification or to pass an Extraordinary Resolution.

Negative Consent

An Extraordinary Resolution or Ordinary Resolution (other than an Extraordinary Resolution relating to a Basic Terms Modification) will be passed by a Class or Classes of Notes if, within 40 days of a notice to such Class or Classes of Noteholders which:

- (a) contains the text of such Extraordinary Resolution or Ordinary Resolution;
- (b) invites such Noteholders to object to such Extraordinary Resolution or Ordinary Resolution;
- (c) details the manner in which objections to such Extraordinary Resolution or Ordinary Resolution should be made; and
- (d) is given to such Class or Classes of Noteholders in accordance with the provisions of Condition 14 (*Notice to Noteholders*) by the Issuer, the Trustee or the Cash/Bond Administrator (as set out in the Cash/Bond Administration Agreement),

10% or more (in the case of an Extraordinary Resolution) or 15% or more (in the case of an Ordinary Resolution) in aggregate of the Principal Amount Outstanding of the Notes of such Class or Classes have not informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution or Ordinary Resolution.

Upon the Trustee receiving objections from Noteholders of 10% or more (in the case of an Extraordinary Resolution) or 15% or more (in the case of an Ordinary Resolution) in aggregate of the Principal Amount Outstanding of the Notes of the relevant Class or Classes, the Trustee shall give notice to the relevant Class or Classes of Noteholders in accordance with the provisions of Condition 14 (*Notice to Noteholders*) that the relevant Extraordinary Resolution or the Ordinary Resolution (as the case may be) has not passed. In such circumstance, a meeting of Noteholders may be called in accordance with the provisions of Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) in order to pass the relevant Extraordinary Resolution or Ordinary Resolution in accordance with the provisions of Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*).

Matters Requiring Extraordinary Resolution

The following matters require an Extraordinary Resolution unless otherwise specified in the Transaction Documents:

- (a) a Basic Terms Modification;
- (b) a modification of the Transaction Documents; and
- (c) a modification of the Conditions.

Convening Noteholder Meetings

The Issuer, the Trustee or the Cash/Bond Administrator (as set out in the Cash/Bond Administration Agreement) may at any time convene a meeting of the Noteholders. If the Trustee receives a written request by Noteholders holding or representing at least 10% in Principal Amount Outstanding of the Notes of a particular Class and is indemnified and/or secured (including by way of prefunding) to its satisfaction against all costs and expenses, the Trustee shall

convene a meeting of the Noteholders of such Class. Every meeting shall be held at a time and place approved by the Trustee.

In certain circumstances, the Trustee may also convene meetings of Noteholders at its discretion.

Relationship between Classes of Noteholders

Subject to the provisions in respect of a Basic Terms Modification, a resolution of Noteholders of the Most Senior Class shall be binding on all other Classes and would override any resolutions to the contrary of the Classes ranking behind such Most Senior Class.

A Basic Terms Modification requires an Extraordinary Resolution of each Class of Notes then outstanding.

Seller as Noteholder

The Seller will have a right to vote in respect of any Notes it holds.

Relationship between Noteholders and other Secured Creditors

So long as any Notes are outstanding and there is a conflict between the interests of the Noteholders and the other Secured Creditors, the Trustee will take into account the interests of the Noteholders only in the exercise of its discretion and the Secured Creditors shall have no claim against the Trustee for doing so.

Provision of Information to the Noteholders

The Cash/Bond Administrator will further provide an investor report on a monthly basis containing information in relation to the Notes including, but not limited to, ratings of the Rated Notes, amounts paid by the Issuer pursuant to the relevant Priority of Payments in respect of the relevant period and required counterparty information (as set out in the Cash/Bond Administration Agreement).

Modification

The Trustee may, without the consent or sanction of any of, or any liability to, the Noteholders or Couponholders:

- (a) concur with any person in making or sanctioning:
 - (i) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation;
 - (ii) any other modification (excluding a Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Notes of such Class, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class (other than any Noteholders of the Most Senior Class who have confirmed their consent in writing to the relevant modification, waiver or authorisation); or
 - (iii) any modification of any of the provisions of the Transaction Documents which in the opinion of the Trustee are necessary to facilitate the appointment of a replacement Mortgage Administrator selected by the Mortgage Administration Facilitator in accordance with the terms of the Mortgage

Administration Agreement.

- (b) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class (other than any Noteholders of the Most Senior Class who have confirmed their consent in writing to the relevant waiver, authorisation or determination),

provided that the Trustee will not do so in contravention of an express direction given by holders of the Most Senior Class or a request made pursuant to Condition 9 (*Events of Default*);

Neither the Trustee nor the Security Trustee shall be obliged to agree to any modification pursuant to the Trust Deed, the Deed of Charge or any other Transaction Document which (in the sole opinion of the Trustee and/or the Security Trustee) would have the effect of: (x) exposing the Trustee (and/or the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (y) increasing the obligations or duties, or decreasing the protections of the Trustee (and/or the Security Trustee) in the Transaction Documents, the Trust Deed and/or the Conditions.

Communication with Noteholders

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

- (a) for so long as the Notes are in global form:
- (i) through the regulated information service maintained or recognised by the Irish Stock Exchange (and any notice containing material, non-public information will be given in this manner); and
 - (ii) by delivery to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders; and
 - (iii) by delivery to the electronic communications systems maintained by Bloomberg L.P. for publication on the relevant page for the Notes (or such other medium for electronic display of data as may be approved in writing by the Trustee); or
- (b) if the Notes are in definitive form, if published in a leading daily newspaper printed in the English language and with general circulation in Ireland (which is expected to be *The Irish Times*).

A copy of each notice given in accordance with Condition 14 (*Notice to Noteholders*) will be provided to (for so long as any Rated Note is outstanding) the Rating Agencies.

The Issuer will give notice to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) of any additions to, deletions from or alterations to such methods from time to time.

Provision of Information to the Noteholders

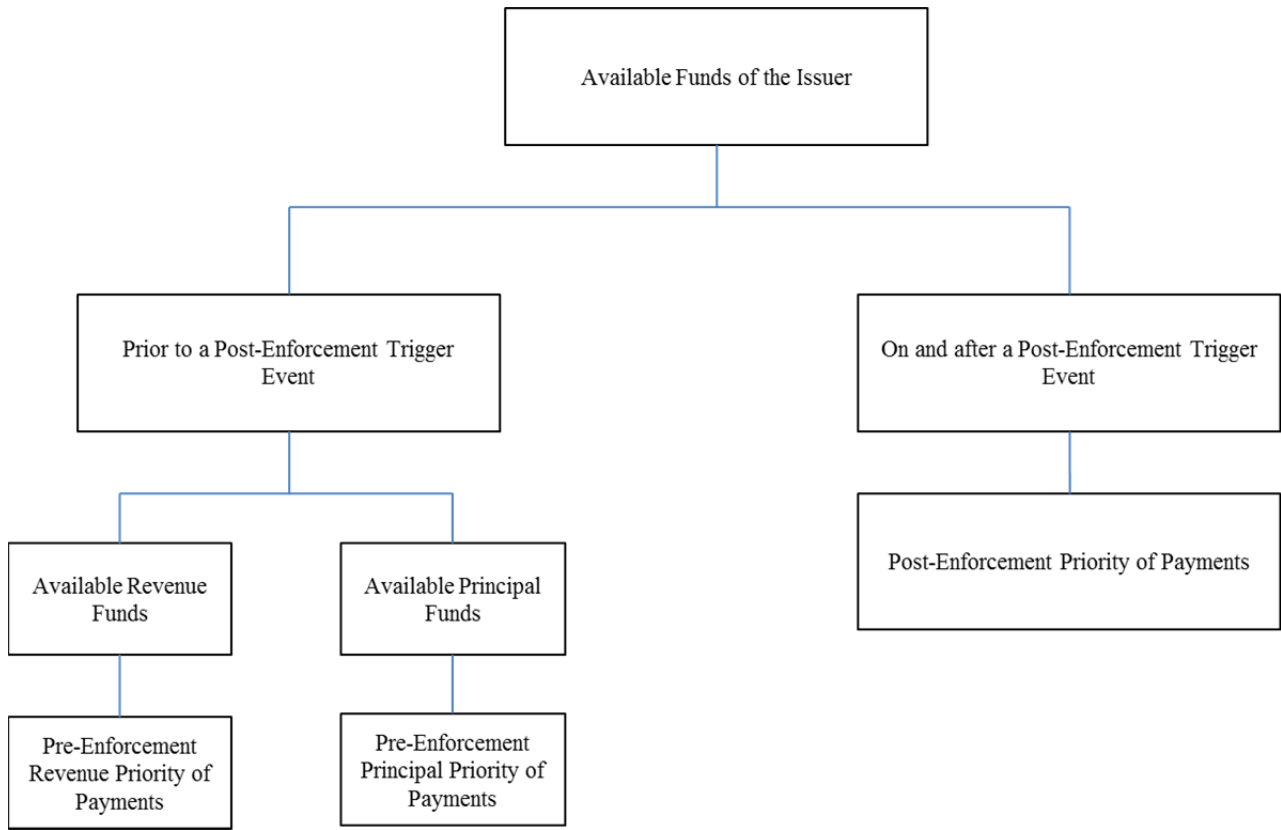
Information in respect of the underlying Mortgage Pool will be provided to the investors on an ongoing basis. See the section entitled "*General Information*" for further information.

Rating Agency Confirmation

The implementation of certain matters will, pursuant to the Transaction Documents, be subject to the receipt of written confirmation from each Rating Agency then rating the Notes that the then current ratings of each Class of Notes rated thereby will not be qualified, downgraded or withdrawn as a result of such modification, *provided that* (a) if any Rating Agency then rating the Notes provides a waiver or acknowledgement indicating its decision not to review or otherwise declining to review the matter for which the Rating Agency Confirmation is sought, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed waived, (b) if any Rating Agency does not provide a formal Rating Agency Confirmation, provided no indication is received from such Rating Agency that any such action or inaction will negatively impact the rating of the Notes, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed waived, and (c) the Trustee may, in accordance with the Transaction Documents, waive the requirement for a Rating Agency Confirmation to be obtained.

Overview of Credit Structure and Cash Flow

Please refer to sections entitled “*Credit Structure*” and “*Administration, Servicing and Cash Management of the Mortgage Pool*” for further detail in respect of the credit structure and cash flows of the transaction.



Available Funds of the Issuer

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

“**Available Revenue Funds**” will include the following amounts:

- (a) interest earned pursuant to the Investment Account Agreement and the GIC Agreement for the Determination Period immediately preceding the Determination Date and interest received on the Transaction Account for the Determination Period immediately preceding the relevant Determination Date;
- (b) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;
- (c) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;
- (d) any amount standing to the credit of the Non-Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (e) and (f) below) in respect thereof;
- (e) for so long as there are any Class A Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (d) above but excluding paragraph (f) below);
- (f) such amounts of Available Principal Funds on the relevant Determination Date if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be (i) a Revenue Shortfall and (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the B Notes, the C Notes, the D Notes and the E Notes, in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (d) and (e) above); and

- (g) any amounts credited to the Revenue Ledger from the Shortfall Ledger.

“**Available Principal Funds**” will include the following amounts:

- (a) the Principal Collections received for the preceding Determination Period;
- (b) the proceeds of any Authorised Investments attributable to Principal Collections for the Determination Period immediately preceding the relevant Determination Date; and
- (c) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Interest Payment Date; and
- (d) on the Determination Date immediately following the redemption in full of the E Notes, amounts standing to the credit of the Reserve Fund Ledger,

less any amounts of Available Principal Funds which are to constitute item (f) of Available Revenue Funds and any amounts which are requested by Borrowers for Borrow-Backs and which the Legal Title-Holder is obliged to pay.

The amount of £388,034.90, which is the amount by which the total issuance of the Rated Notes and the F Notes exceeds the consideration payable by the Issuer in respect of the sale of the Loans and Collateral Security, will be made part of the Available Principal Funds on the first Interest Payment Date.

Summary of Priority of Payments

Below is a summary of the Priority of Payments prior to the occurrence of a Post-Enforcement Trigger Event. Full details of the Pre-Enforcement Revenue Priority of Payments are set out in Condition 2(c) (*Pre-Enforcement Revenue Priority of Payments*). Full details of the Pre-Enforcement Principal Priority of Payments are set out in Condition 5(b) (*Mandatory Redemption of the Notes*). Full details of the Post-Enforcement Priority of Payments are set out in Condition 2(d) (*Post-Enforcement Priority of Payments*).

AVAILABLE REVENUE FUNDS
Pre-Enforcement Revenue Priority of Payments
Trustee fees and expenses
Audit Company Secretarial Insurance Expenses
Other senior expenses incurred by the Issuer
Interest on A Notes
A Principal Deficiency Ledger
Interest on B Notes
B Principal Deficiency Ledger
Interest on C Notes
C Principal Deficiency Ledger
Interest on D Notes
D Principal Deficiency Ledger
Interest on E Notes
E Principal Deficiency Ledger
Amounts to the Reserve Ledger
F1 Principal Deficiency Ledger
F2 Principal Deficiency Ledger
F3 Principal Deficiency Ledger
Issuer Turn
Interest on the F1 Notes
Interest on the F2 Notes
Interest on the F3 Notes
Interest on the Z Notes
Interest and principal on the X1 Notes
Interest on the Subordinated Loan Facility
Prior to Step-Up Date, surplus to the X2 Noteholders
On and after Step-Up Date, surplus to the R Noteholders

AVAILABLE PRINCIPAL FUNDS
Pre-Enforcement Principal Priority of Payments
Replenish Liquidity Reserve Fund until the Liquidity Reserve Required Amount is met
A Notes Principal Amount
B Notes Principal Amount
C Notes Principal Amount
D Notes Principal Amount
E Notes Principal Amount
F1 Notes Principal Amount
F2 Notes Principal Amount
F3 Notes Principal Amount
Z Notes Principal Amount
Subordinated Loan Facility
Surplus to R Noteholders

ALL FUNDS (including on Final Maturity Date and early redemption)
Post-Enforcement Priority of Payments
Trustee and receiver fees and expenses
Other senior expenses incurred by the Issuer
<i>Pro rata and pari passu</i> A Notes interest and principal
<i>Pro rata and pari passu</i> B Notes interest and principal
<i>Pro rata and pari passu</i> C Notes interest and principal
<i>Pro rata and pari passu</i> D Notes interest and principal
<i>Pro rata and pari passu</i> E Notes interest and principal
<i>Pro rata and pari passu</i> F1 Notes interest and principal
<i>Pro rata and pari passu</i> F2 Notes interest and principal
<i>Pro rata and pari passu</i> F3 Notes interest and principal
<i>Pro rata and pari passu</i> Z Notes interest and principal
Amounts owing to third parties
<i>Pro rata and pari passu</i> X1 Notes interest and principal
Repayment of Subordinated Loan Facility and interest thereon
Prior to Step-Up Date surplus to X2 Noteholders
On and after Step-Up Date surplus to R Noteholders

General Credit Structure

The general credit structure of the transaction includes the following elements:

- (a) availability of the Reserve Fund in the event there is a Shortfall and/or a Revenue Shortfall. The Reserve Fund will be fully funded by the proceeds from the Z Notes in an amount equal to the Reserve Fund Required Amount. The Reserve Fund Required Amount is split between a Liquidity Reserve Fund Required Amount and a Non-Liquidity Reserve Fund Required Amount. See the section entitled “*Credit Structure – Application of the Reserve Fund - Revenue Shortfall*” below for limitations on availability of the use of the Reserve Fund and, in particular, the Liquidity Reserve Fund and the Non-Liquidity Reserve Fund;
- (b) availability of the Non-Liquidity Reserve Fund in the event there is a Shortfall. See the section entitled “*Credit Structure – Application of the Reserve Fund - Revenue Shortfall*” below for limitations on availability of the use of the Non-Liquidity Reserve Fund;
- (c) availability of the Liquidity Reserve Fund in the event there is a Revenue Shortfall. See the section entitled “*Credit Structure – Application of the Reserve Fund - Revenue Shortfall*” below for limitations on availability of the use of the Liquidity Reserve Fund;
- (d) availability of Available Principal Funds in the event there is a Revenue Shortfall and thereafter, subject to satisfaction of the relevant PDL Condition, in the event there is a Shortfall. See the section entitled “*Credit Structure – Application of the Reserve Fund - Revenue Shortfall*” below for limitations on availability of the use of Available Principal Funds; and
- (e) availability of investment income provided by the Investment Account Provider in respect of collections deposited in the Investment Account to mitigate negative carry on the interest to be paid on the Notes.

Reserve Fund

The “**Reserve Fund**” will, on the Issue Date, be fully funded by the proceeds from the Z Notes in an amount equal to 3.0% of the aggregate principal amount of the A to F Notes (inclusive) as at the Issue Date (the “**Reserve Fund Required Amount**”). The Reserve Fund shall be maintained until such time as the E Notes are redeemed in full. Following redemption in full of the E Notes, any remaining balance in the Reserve Fund shall be paid out in accordance with the Post-Enforcement Priority of Payments.

The Reserve Fund is, in turn, divided into the Non-Liquidity Reserve Fund and the Liquidity Reserve Fund.

**Application of the Reserve Fund -
Shortfall and Revenue Shortfall**

Where there are insufficient funds available to provide for payment of items (i) to (xiii) of the Pre-Enforcement Revenue Priority of Payments (a “**Shortfall**”), the Issuer shall first pay or provide for that Shortfall by the application of the Non-Liquidity Reserve Fund.

Thereafter if there remains a shortfall in amounts available to pay Senior Fees and interest on the A Notes (such shortfall a “**Revenue Shortfall**”), the Issuer shall pay or provide for that Revenue Shortfall by the application of the Liquidity Reserve Fund.

If, following application of both the Non-Liquidity Reserve Fund and the Liquidity Reserve Fund as directed above, there remains any shortfall in items (iv), (vi), (viii), (x) and (xii) of the Pre-Enforcement Revenue Priority of Payments, the Issuer shall pay or provide for that shortfall by the application of Available Principal Funds, subject to the debit balance of the B Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of B Notes in respect of interest on the B Notes, the C Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of C Notes in respect of interest on the C Notes, the D Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of D Notes in respect of interest on the D Notes and the E Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of E Notes in respect of interest on the E Notes (such 10% threshold in respect of each Principal Deficiency Ledger being the relevant “**PDL Condition**”).

Principal Deficiency Ledger

The Principal Deficiency Ledger comprises 8 sub-ledgers, known as the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger, the E Principal Deficiency Ledger, the F1 Principal Deficiency Ledger, the F2 Principal Deficiency Ledger and the F3 Principal Deficiency Ledger which will be established to record as a debit any Losses on the Mortgage Pool and/or the use of any Available Principal Funds as Available Revenue Funds and/or any drawings from the Non-Liquidity Reserve Fund and/or the Liquidity Reserve Fund.

Available Revenue Funds will be credited to the sub-ledgers of the Principal Deficiency Ledger on each Interest Payment Date to reduce the debit balance of the Principal Deficiency Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments.

The amount of any Available Principal Funds used to fund a Revenue Shortfall or to fund the Liquidity Reserve Fund will be calculated and allocated to the Notes and recorded as a debit to the Principal Deficiency Ledger on each Determination Date as follows:

- (a) *firstly*, to the F3 Principal Deficiency Ledger (up to an amount (including all other debits to the F3 Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the F3 Notes) (as calculated on the

immediately preceding Determination Date); and

- (b) *secondly*, to the F2 Principal Deficiency Ledger (up to an amount (including all other debits to the F2 Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the F2 Notes) (as calculated on the immediately preceding Determination Date); and
- (c) *thirdly*, to the F1 Principal Deficiency Ledger (up to an amount (including all other debits to the F1 Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the F1 Notes) (as calculated on the immediately preceding Determination Date); and
- (d) *fourthly*, to the E Principal Deficiency Ledger (up to an amount (including all other debits to the E Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the E Notes) (as calculated on the immediately preceding Determination Date); and
- (e) *fifthly*, to the D Principal Deficiency Ledger (up to an amount (including all other debits to the D Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the D Notes) (as calculated on the immediately preceding Determination Date); and
- (f) *sixthly*, to the C Principal Deficiency Ledger (up to an amount (including all other debits to the C Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the C Notes) (as calculated on the immediately preceding Determination Date); and
- (g) *seventhly*, to the B Principal Deficiency Ledger (up to an amount (including all other debits to the B Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the B Notes) (as calculated on the immediately preceding Determination Date); and
- (h) *eighthly*, to the A Principal Deficiency Ledger (up to an amount (including all other debits to the A Principal Deficiency Ledger) equal to the Principal Amount Outstanding of the A Notes) (as calculated on the immediately preceding Determination Date);

Transaction Account and Cash/Bond Administration

Revenue Collections and Principal Collections in respect of the Loans are received by the Legal Title-Holders in the Collection Accounts.

On or about the Issue Date the Legal Title-Holders will declare the Collection Accounts Declaration of Trust in favour of the Issuer over amounts credited to the Collection Accounts to the extent that such amounts relate to the Loans in the Mortgage Pool.

The Cash/Bond Administrator (and, where relevant, the Mortgage Administrator) is obliged to transfer collections in respect of the Loans to the Transaction Account and on to the Investment Account daily on each Business Day (as set out in

the Cash/Bond Administration Agreement or Mortgage Administration Agreement, as applicable). On or prior to each Interest Payment Date, amounts will be transferred by the Cash/Bond Administrator from the Investment Account to the Transaction Account, as required, to be applied in accordance with the relevant Priority of Payments.

GIC Agreement

The Investment Account Provider is obliged to transfer amounts standing to the credit of the Investment Account (up to an aggregate amount equal to the maximum size of the Reserve Fund) to the GIC Account on the Business Day following the date of receipt. On or prior to each Interest Payment Date, amounts will be transferred by the Investment Account Provider from the GIC Account to the Investment Account, as required, to be applied in accordance with the relevant Priority of Payments.

Triggers Tables

Rating Triggers Table

<u>Transaction party</u>	<u>Required Ratings</u>	<u>Possible effects of Ratings Trigger being breached include the following:</u>
Account Bank, Investment Account Provider and GIC Provider	<ul style="list-style-type: none"> (i) In the case of S&P, a short-term senior unsecured debt rating of at least A-1 and a long-term rating of at least A or (where the short-term unsecured debt rating by S&P is less than A-1 or there is no short-term rating) a long-term rating of at least A+ by S&P; (ii) in the case of Moody's, a long-term unguaranteed unsecured and unsubordinated debt rating of at least A2 by Moody's; or (iii) alternatively to each of the above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Most Senior Class. 	<p>The consequences for the Account Bank or the Investment Account Provider or the GIC Provider of a breach under the Bank Agreement, the Investment Account Agreement and the GIC Agreement (as applicable) include a requirement for the Issuer to use commercially reasonable endeavours to replace the Account Bank or the Investment Account Provider or the GIC Provider (as applicable) within 30 calendar days of the downgrade of the relevant entity.</p>
Collection Account Provider	<ul style="list-style-type: none"> (i) In the case of S&P, a short-term senior unsecured debt rating of at least A-2 and a long-term rating of at least BBB or (where the short-term unsecured debt rating by S&P is less than A-2 or there is no short-term rating) a long-term rating of at least BBB+ by S&P; (ii) in the case of Moody's, a long-term unguaranteed unsecured and unsubordinated debt rating of at least Baa3 by Moody's; or (iii) alternatively to each of the above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Most Senior Class. 	<p>If the Collection Account Provider fails to maintain the Required Ratings as set out in this section "<i>Triggers Tables</i>" (the "Collection Account Rating Agency Required Ratings") from at least one of the Rating Agencies (such failure a "Collection Account Provider Downgrade Event"), the Issuer will use its commercially reasonable endeavours to procure that the Collection Accounts shall be transferred to another Authorised Institution which has the Collection Account Rating Agency Required Ratings pursuant to an agreement with such institution in substantially the form of the Collection Account Agreement (to the extent applicable to the Collection Accounts) within a period not exceeding 30 calendar days (or such longer period as the Trustee and the Rating Agencies may agree) from the date on which such downgrade occurs and the Collection Account Provider will, at the request and cost of the Issuer, use its commercially reasonable endeavours to assist with the</p>

<u>Transaction party</u>	<u>Required Ratings</u>	<u>Possible effects of Ratings Trigger being breached include the following:</u>
		same.

Non-Rating Triggers Table

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Consequence of Trigger</u>
Perfection Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) the service of an Enforcement Notice; (b) the Trustee determining that the Charged Property or any part thereof is in jeopardy (including due to the possible insolvency of one or more of the Seller, the Guarantor or the Legal Title-Holders); (c) certain insolvency events of the Seller, the Guarantor or the Legal Title-Holders; or (d) the Issuer, the Trustee, the Seller, the Guarantor or the Legal Title-Holders becoming obliged to provide notice of assignment or (as applicable) assignation of the Loan by order of court, by law or any relevant regulatory authority. 	Borrowers will be notified of the sale of the Loans to the Issuer and legal title to the Mortgage Pool will be transferred to the Issuer (other than in the case of perfection event (d) whereby only legal title to the affected Loan will be transferred to the Issuer).
Cash/Bond Administrator Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) default by the Cash/Bond Administrator in the performance of its covenants and obligations under the Cash/Bond Administration Agreement and the Trustee considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class; (b) certain insolvency events of the Cash/Bond Administrator; or (c) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Cash/Bond Administrator is materially prejudicial to the interests of the holders of the Most Senior Class. 	Standby Cash/Bond Administrator to be appointed as cash/bond administrator, subject to approval by the Trustee.

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Consequence of Trigger</u>
Mortgage Administrator Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) default by the Mortgage Administrator in the performance of its covenants and obligations under the Mortgage Administration Agreement and the Trustee considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class; (b) certain insolvency events of the Mortgage Administrator; or (c) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Mortgage Administrator is materially prejudicial to the interests of the holders of the Most Senior Class. 	<p>If a Mortgage Administrator Termination Event occurs the Issuer (with the consent of the Trustee) or the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administration Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administration Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of the Proposed Replacement to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement, the Issuer shall appoint the Proposed Replacement as Mortgage Administrator on substantially the same terms as set out herein, provided however that any such appointment shall be subject to the prior written consent of the Trustee.</p>
Special Servicer Termination Events	<ul style="list-style-type: none"> (a) default by the Special Servicer in the performance of its covenants and obligations under the Special Servicer Agreement, the Mortgage Administration Agreement and/or the Kayl/Issuer Mortgage Sale Agreement and the Trustee considers such default to be materially prejudicial to the interests of the holders of the Most Senior Class; (b) certain insolvency events of the Special Servicer; or (c) an Enforcement Notice is given and the Trustee is of the opinion that the continuation of the appointment of the Special Servicer is materially prejudicial to the interests of the holders of the Most Senior Class. 	<p>Appointment of Special Servicer to be terminated.</p>

Fees

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Mortgage Administrator fees	0.25% per year (exclusive of VAT, if any) of the average aggregate Balance of each of the Loans in the Mortgage Pool on the last day of each calendar month in the Mortgage Pool and various sundry fees.	Ahead of all outstanding Notes.	Paid in advance on a monthly basis (and calculated for the Interest Period as a whole on each Determination Date).
Special Servicer fees	0.05% per year (exclusive of VAT, if any) of the average aggregate Balance of each of the Loans in the Mortgage Pool on the first day of each calendar month in the Mortgage Pool.	Ahead of all outstanding Notes.	Quarterly in arrear on each Interest Payment Date.
Cash/Bond Administrator fees	0.02% per year (exclusive of VAT, if any) on the Principal Amount Outstanding of the Notes.	Ahead of all outstanding Notes.	Quarterly in arrear on each Interest Payment Date.
Other fees and expenses of the Issuer including Trustee, Agents, Corporate Services Provider and Mortgage Administration Facilitator fees	Estimated at £50,000 per year (exclusive of VAT).	Ahead of all outstanding Notes.	Generally semi-annually, paid in advance.
Expenses related to the admission to trading of the Notes	£6,600 (exclusive of any applicable VAT).	Not Available	On or about the Issue Date.

Retention Requirements and the Retained Interest

The Seller will undertake in the Retention Letter that it will retain, on an ongoing basis as an originator within the meaning of the CRR, a material net economic interest of at least 5% in the securitisation, in accordance with Article 405(1)(d) of the CRR and Article 51(1)(d) of the AIFMD Level 2 Regulation (the “**Retention Requirement**”). In order to satisfy the Retention Requirement on the Issue Date, the Seller will purchase and thereafter hold F2 Notes, F3 Notes and Z Notes in such amounts as to hold the Retained Interest at not less than the Retention Requirement. On the Issue Date this will represent an economic outlay and downside exposure. Any change to the manner in which such interest is held will be notified to investors.

Each prospective investor is required independently to assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with the Retention Requirement and none of the Issuer, the Arranger, the Joint Lead Managers or any Transaction Party makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of the Retention Requirement in their relevant jurisdiction. Investors, who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

In the Retention Letter, the Seller will undertake:

- (a) to purchase on the Issue Date and to hold, on an ongoing basis as an originator, a holding of the F2 Notes, F3 Notes and/or Z Notes, as applicable, in such amounts as to maintain the Retained Interest at not less than the Retention Requirement;
- (b) to provide notice to the Issuer, the Trustee (on behalf of the Noteholders) and the Cash/Bond Administrator on or prior to the end of a Determination Period that it continues to hold the Retained Interest (and the Cash/Bond Administrator shall reflect the same in the Performance Report that follows the date of such notice);
- (c) to provide notice to the Issuer and the Trustee (on behalf of the Noteholders) and the Cash/Bond Administrator as soon as practicable in the event it no longer holds the Retained Interest; and
- (d) not to reduce its credit exposure to the Retained Interest either through hedging or the sale of all or part of the Retained Interest, except as may be permitted by the Retention Requirements.

In the Retention Letter, Kayl Holdco will undertake:

- (a) for so long as the Notes are outstanding, to own all the issued share capital of the Seller;
- (b) that it will be continue to be exposed to the securitisation and will comply, and procure that none of its subsidiaries will enter any transaction which could result in non-compliance, with the Retention Requirement in respect of that exposure;
- (c) to procure that the Seller complies with its undertakings set out above;
- (d) to provide notice to the Issuer and the Trustee (on behalf of Noteholders) as soon as practicable in the event it no longer complies with the Retention Requirement; and
- (e) not to reduce its credit exposure to the Retained Interest either through hedging or the sale of all or part of the Retained Interest, except as may be permitted by the Retention Requirements.

USE OF PROCEEDS

The net proceeds of the issue of the Notes are expected to amount to approximately £523,921,000 and will:

- (i) be applied in the purchase by the Issuer from the Seller of the Completion Mortgage Pool on the Issue Date;
- (ii) be used to fund the Start-Up Costs Ledger;
- (iii) be used to repay a portion of the Bridge Financing; and
- (iv) be used to fund the Reserve Fund up to its initial amount on the Issue Date.

THE ISSUER

Introduction

The Issuer was incorporated and registered under the laws of England and Wales under the Companies Act 2006 with limited liability as a public limited company on 13 January 2015 with registered number 9386653. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1.00 each (one of which is fully paid and 49,999 of which are one quarter paid up) held by Residential Mortgage Securities 28 Parent Limited (the “**Parent**”). The entire issued share capital of the Parent is held on trust by SFM Corporate Services Limited under the terms of a share trust deed. The Issuer has no subsidiaries.

Directors

The directors of the Issuer and their respective business addresses and principal activities outside the Issuer are:

Name	Address	Principal Activities/Position
SFM Directors Limited	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	Corporate Director
SFM Directors (No.2) Limited	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	Corporate Director
Claudia Wallace	35 Great St. Helen’s, London EC3A 6AP, United Kingdom	Company Director

The Secretary of the Issuer is SFM Corporate Services Limited (registered number 3920255).

The registered office of the Issuer is at 35 Great St. Helen’s, London EC3A 6AP, United Kingdom.

The telephone number of the Issuer is +44 (0) 207 398 6300.

Activities

The Issuer has been established as a special purpose vehicle to acquire portfolios of residential mortgage loans and issue asset-backed securities. Its activities will be restricted by the terms and conditions of the Transaction Documents and will be limited to the issue of the Notes, the ownership of the Loans and their Collateral Security and other assets referred to herein, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto. These activities will include (a) the collection of all payments of principal and interest due from Borrowers on Loans; (b) the operation of arrears procedures and (c) the enforcement of Loans and their Collateral Security against Borrowers in default. Substantially all of the above activities will be carried on by the Mortgage Administrator on an agency basis under the Mortgage Administration Agreement. In respect of certain specified items, such as the discretionary, as opposed to the procedural, aspects of the enforcement of Loans and their Collateral Security against Borrowers in default and other discretionary matters, the Issuer has delegated certain decision making powers to the Special Servicer pursuant to the Special Servicer Agreement. Additionally, the Cash/Bond Administrator (as set out in the Cash/Bond Administration Agreement) or the Standby Cash/Bond Administrator, will provide cash management and bond reporting services to the Issuer pursuant to the Cash/Bond Administration Agreement or the Standby Cash/Bond Administration Agreement, as the case may be. The Issuer (with the consent of the Trustee) or the Trustee may revoke the agency (and, simultaneously, the rights) of the Mortgage Administrator, the Special Servicer, the Cash/Bond Administrator or, as the case may be, the Standby Cash/Bond Administrator upon the occurrence of certain events of default or insolvency or similar events in relation to the Mortgage Administrator, the Special Servicer, the Cash/Bond Administrator or, as the case may be, the Standby Cash/Bond Administrator or, in certain circumstances, following an Event of Default in relation to the Notes. Following such an event as aforesaid, the Issuer (with the consent of the Trustee) or the Trustee may, subject to certain conditions, appoint substitute administrators. In relation to the appointment of a replacement mortgage administrator, the Mortgage Administration Facilitator will, pursuant to the terms of the Mortgage Administration Agreement, use reasonable endeavours to identify and select a

replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of the Proposed Replacement to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement, the Issuer shall appoint the Proposed Replacement as Mortgage Administrator on substantially the same terms as set out herein, provided however that any such appointment shall be subject to the prior written consent of the Trustee.

The principal objects of the Issuer are unrestricted in its Memorandum and Articles of Association.

Since its incorporation, the Issuer has not produced any accounts and has not engaged in any material activities other than those incidental to its registration as a public company, the authorisation of the issue of the Notes, the matters contemplated in this Prospectus, the authorisation of the Transaction Documents referred to in this Prospectus in connection with the issue of the Notes and other matters which are incidental or ancillary to those activities. The Issuer has no employees.

Issuer profit

Pursuant to the Pre-Enforcement Revenue Priority of Payments, Available Revenue Funds are to be applied on each Interest Payment Date in an amount of up to £1,500 for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year. Any such amount so applied shall be credited to the Issuer Turn Ledger and applied in satisfaction of the Issuer's obligations in respect of United Kingdom corporation tax and in payment of dividends.

Capitalisation loan and repayment thereof

In order to enable the Parent to acquire the shares in the share capital of the Issuer, the Parent has received a limited recourse loan from Kayl in an amount of £12,500.75. It is intended that such loan will be repaid with an amount received by the Parent by way of dividend on the shares it holds in the Issuer which the Issuer is expected to declare and pay with the Issuer Turn.

Auditors

The independent auditor of the Issuer is Ernst & Young LLP whose office is located at 1, More London Place, London SE1 2AF, United Kingdom.

CAPITALISATION STATEMENT

The following table shows the unaudited capitalisation of the Issuer as at 18 March 2015.

Share Capital

	<u>£</u>
<i>Issued</i>	
50,000 Ordinary Shares of £1 each; comprising 1 fully paid up, 49,999 ¼ paid up	12,500.75
	<u>12,500.75</u>
<i>Borrowings</i>	
The Notes ⁽¹⁾	523,921,000
Total Capitalisation	<u><u>523,933,500.75</u></u>

Note:

⁽¹⁾As at 18 March 2015, save as disclosed above, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

THE MORTGAGE ADMINISTRATOR, THE CASH/BOND ADMINISTRATOR AND THE SPECIAL SERVICER

Kensington Mortgage Company Limited

KMC is a company incorporated under the laws of England and Wales (registration number 03049877) on 26 April 1995, having its registered office at Reading International Business Park, Basingstoke Road, Reading RG2 6DB, United Kingdom. It is a company whose purpose is advancing or acquiring residential Loans to borrowers in England and Wales, Northern Ireland and Scotland. KMC is a wholly owned subsidiary of Kensington Group Limited (“**KG**”). KMC is currently the authorised mortgage lender of loans with the Kensington group, on the basis that it is an “authorised person” approved by the Financial Services Authority to carry out certain regulated activities.

KMC does not have any employees on the Issue Date; all personnel in the Kensington business are employed by KG.

On the Issue Date, KMC will delegate its responsibilities and obligations as Mortgage Administrator to HML but will have, pursuant to the Mortgage Administration Agreement, an option to delegate all or a part of its functions as Mortgage Administrator instead to Acenden or another third party instead of HML, subject to the conditions set out therein. If the Mortgage Administrator opts to delegate any of its responsibilities and obligations to Acenden it shall provide prior notice of such appointment to the Rating Agencies together with a copy of the form of delegation agreement appointing Acenden and a description of the mechanics transferring the relevant responsibilities and obligations from KMC and/or HML, as applicable, to Acenden. Any appointment of another third party instead of HML or Acenden will require, among other things, receipt of Rating Agency Confirmation.

Other affiliates of KMC also hold legal title to certain of the Loans.

KMC holds the relevant authorisations under the CCA and Data Protection Act 1998 and any other authorisation or approval necessary to act as lender/creditor under CCA regulated loans.

THE GUARANTOR

Kensington Group Limited

KG is a holding company co-ordinating the activities of its subsidiary companies which include KMC and the other Legal Title-Holders. The principal business activity of KG and its subsidiaries is the provision of a range of residential mortgage loans. KG was until 30 January 2015 a wholly-owned indirect subsidiary of Investec plc. On 9 September 2014 the Investec group agreed the sale of KG to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. and TPG Special Situations Partners. That sale completed on 30 January 2015 following receipt of FCA approval, since when KG has been a wholly-owned indirect subsidiary of Kayl Holdco.

As part of the sale described above, KG is party to a transitional services agreement with Investec Bank plc (“**IBP**”) under which each party agreed to provide certain services to the other for a specified period. In the case of services provided by IBP to KG (which include key areas such as IT, finance systems, accounts payable and payroll) this period is 6 months from 30 January 2015, extendable at KG's option to 12 months.

KG employs approximately 136 people who are based in Reading and London and at HML's offices in Skipton.

THE LEGAL TITLE-HOLDERS

Kensington Mortgage Company Limited

See the Section of this Prospectus entitled “*The Mortgage Administrator, the Cash/Bond Administrator and the Special Servicer*” above.

Other Legal-Title Holders

The other Legal Title-Holders of the Loans are Battersea Park Mortgage Funding Limited (registered number 03530410), St. James’s Park Mortgage Funding Limited (registered number 03261513), Finsbury Park Mortgage Funding Limited (registered number 03437350), Hyde Park Mortgage Funding Limited (registered number 03007536) and Richmond Park Mortgage Funding Limited (03597946). All of these entities are wholly owned subsidiaries of KG with a registered address at Reading International Business Park, Basingstoke Road, Reading, Berkshire, RG2 6DB and hold title to a small number of the pre-N(M) originations.

THE SELLER

The Seller is a *société à responsabilité limitée* (limited liability company) incorporated under the laws of Luxembourg on 18 August 2014, having a share capital of GBP 12,500, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B 189.847. It is a company whose purpose is, amongst others, the acquisition, holding, management and disposal of participations and any interests, in any form whatsoever, in Luxembourg and foreign companies, or other business entities, enterprises or investments, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes, certificates of deposits and any other securities or financial instruments of any kind, and the ownership, administration, development and management of its portfolio. The Seller is a direct wholly owned subsidiary of Kayl Holdco S.à r.l. and an affiliate of Kensington Mortgage Company Limited, which is an indirect wholly owned subsidiary of Kayl Holdco S.à r.l.

The Seller does not have any employees on the Issue Date.

THE STANDBY CASH/BOND ADMINISTRATOR

Wells Fargo Bank International is an indirect wholly-owned subsidiary of Wells Fargo & Co. Based in the International Financial Services Centre in Dublin, Ireland, Wells Fargo Bank International is incorporated under Irish law and is authorised and regulated by the Central Bank of Ireland.

Wells Fargo & Co. is a diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 stores and more than 12,000 ATMs and the Internet across North America and internationally. As of 31 December 2012, Wells Fargo & Co. had U.S.\$1.4 trillion in assets and more than 275,000 team members across more than 80 businesses. The headquarters of Wells Fargo & Co. are located at 420 Montgomery Street, San Francisco, California 94163, U.S.A.

As at the date of this Prospectus, Wells Fargo & Co. has a long-term issuer default rating of AA- by Fitch, a long-term debt rating of A2 by Moody's and a long-term debt rating of A+ by S&P. The short-term debt is rated P-1 by Moody's, A-1 by S&P and the short-term issuer default rating is F1+ by Fitch. At the end of second quarter 2014, Wells Fargo ranked fourth in assets among U.S. banks and was the world's most valuable bank by market capitalisation. In 2013, Euromoney named Wells Fargo "Best Bank" in its Global Awards for Excellence, the first time a U.S.-based bank has won the top award.

THE TRUSTEE AND THE SECURITY TRUSTEE

Wells Fargo Trust Corporation Limited (“**WFTCL**”) is a private limited company incorporated under English law with registration number 4409492 and with its registered office at One Plantation Place, 30 Fenchurch Street, London EC3M 3BD. WFTCL is an indirect wholly-owned subsidiary of Wells Fargo & Co. WFTCL falls within Wells Fargo's Corporate Trust Services (“**CTS**”) business line, which provides fiduciary, agency and trustee services on structured and vanilla debt securities issued by public and private corporations, government entities, financial institutions and special purpose vehicles, as well as providing other corporate trust and agency services.

THE INVESTMENT ACCOUNT PROVIDER, ACCOUNT BANK AND GIC PROVIDER

Wells Fargo Bank N.A., London Branch is a branch of Wells Fargo & Company (NYSE: WFC) (“**Wells Fargo & Company**”). Wells Fargo & Company is a diversified, community-based financial services company with U.S.\$1.7 trillion in assets as of 31 December 2014. Wells Fargo & Company provides banking, insurance, investments, mortgage, and consumer and commercial finance through more than 8,700 stores, 12,500 ATMs, the Internet (wellsfargo.com), and has offices in 36 countries to support the bank’s customers who conduct business in the global economy. With approximately 265,000 team members, Wells Fargo & Company serves one in three households in United States. Wells Fargo & Company was ranked No. 29 on Fortune’s 2014 rankings of America’s largest corporations.

The long term deposits of Wells Fargo Bank, N.A. are rated AA- by Fitch, Aa3 by Moody’s and AA- by S&P and short term debt is rated F1+ by Fitch, P-1 by Moody’s and A-1+ by S&P.

The current headquarters of Wells Fargo & Company is located in 420 Montgomery Street, San Francisco, California 94163, U.S.A.

THE COLLECTION ACCOUNT PROVIDER

Barclays Bank PLC (“**Barclays**”) 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 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 was re-registered as a public limited company and its name was changed from ‘Barclays Bank International Limited’ to ‘Barclays Bank PLC’.

Barclays (together with its subsidiary undertakings (the “**Barclays Bank Group**”)) is engaged in personal banking, credit cards, corporate and investment banking, wealth and investment management services. The Barclays 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 the Barclays Bank 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 is beneficially owned by Barclays PLC. Barclays is the ultimate holding company of the Barclays Bank Group.

The short term unsecured obligations of Barclays are rated A-1 by Standard & Poor’s Credit Market Services Europe Limited, P-1 by Moody’s Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of Barclays 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 Barclays Bank Group’s audited financial information for the year ended 31 December 2013, restated to reflect the offsetting amendments to the International Accounting Standards (“**IAS**”) 32, the Barclays Bank Group had total assets³ of £1,344,201m (2012 (restated): £1,512,777m), total net loans and advances⁴ of £474,059m (2012 (restated): £472,809m), total deposits⁵ of £487,647m (2012 (restated): £468,262m), and total shareholders’ equity of £63,220m (2012: £59,923m) (including non-controlling interests of £2,211m (2012: £2,856m)). The profit before tax from continuing operations of the Barclays Bank Group for the year ended 31 December 2013 was £2,885m (2012: £650m) after credit impairment charges and other provisions of £3,071m (2012: £3,340m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Barclays Bank Group for the year ended 31 December 2013.

³ The impact from the IAS 32 restatement was an increase of £31.4bn for 31 December 2013 and £24bn for 31 December 2012.

⁴ Total net loans and advances include balances relating to both bank and customer accounts. The impact from the IAS 32 restatement was an increase of £5.4bn for 31 December 2013, £8bn for 31 December 2012.

⁵ Total deposits include deposits from bank and customer accounts. The impact from the IAS 32 restatement was an increase of £4.9bn for 31 December 2013 and £5.8bn for 31 December 2012.

THE MORTGAGE ADMINISTRATION FACILITATOR AND 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 or, following delivery of a Note Acceleration Notice, the Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Issuer or, following delivery of a Note Acceleration Notice, the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

Structured Finance Management Limited will also be appointed as the Mortgage Administration Facilitator pursuant to the Mortgage Administration Agreement (see the section entitled "*Administration, Servicing and Cash Management of the Mortgage Pool*" for further information).

CONSTITUTION OF THE MORTGAGE POOL

The Mortgage Pool

The pool of Loans to be sold to the Issuer on the Issue Date pursuant to the Kayl/Issuer Mortgage Sale Agreement will comprise the Completion Mortgage Pool, other than Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been re-transferred to the Seller pursuant to the Kayl/Issuer Mortgage Sale Agreement or in respect of which Enforcement Procedures have been completed, in each case as at the Issue Date, and any Substitute Loans.

The Loans were originated by KMC, Money Partners or their affiliates. Money Partners was the trading name of Money Partners Limited (“MPL”) and Money Partners Loans Limited. MPL offered a range of mortgage products (fixed, variable, and discounted) and flexible secured loans. In February 2009, all new lending was suspended by MPL and in April 2010 the FSA changed their status to “No Longer Authorised”. At the time of origination of the relevant Loans in Mortgage Pool 2, MPL was a partly owned subsidiary of KG and during the majority of the origination period MPL’s address was Keaton House, Widerwater Place, Moorhall Road, Harefield, Uxbridge UB9 6NS.

There are three portfolios of Loans within the Mortgage Pool with different lending criteria, a summary of which is set out below. As at the Issue Date the Completion Mortgage Pool will comprise the mortgage loans selected by the Seller from the Provisional Completion Mortgage Pool. The Provisional Completion Mortgage Pool is as of 31 December 2014:

Aggregate Current Balance	£513,292,458
Number of Loans	4,269
Average current Balance	£120,237
Weighted average current Indexed Loan to Value Ratio (Land Registry Index)	75.29%
Weighted average term to maturity	16 years

Repayment terms under each type of mortgage loan differ according to the repayment type (see Table 8 (*Distribution of Loans by Repayment Method*) under “*Characteristics of the Provisional Completion Mortgage Pool*” below). The following repayment types are included in the Provisional Completion Mortgage Pool:

- (a) Repayment Loans;
- (b) Interest Only Loans; and
- (c) Part and Part Loans. Monthly payments in respect of Part and Part Loans are comprised of the interest due on both portions of the Loan and the principal repayable on the portion in respect of which the Borrower is required to pay both interest and principal. The principal amount relating to the portion in respect of which the Borrower is required to pay interest only is repayable at maturity.

Each Repayment Loan, Interest Only Loan and Part and Part Loan is a Loan which is secured by a first ranking legal mortgage (or in Scotland, a first ranking standard security).

Each Loan will be either:

- (a) a LIBOR Standard Mortgage;
- (b) a Bank Base Rate Mortgage;
- (c) a Fixed Rate Mortgage;
- (d) a KVR Standard Mortgage or
- (e) a MVR Standard Mortgage.

Mortgage Early Redemption Amounts

Under the terms of each Loan, the Borrower is also obliged to pay a compensation payment if the Loan is redeemed early; the “**Mortgage Early Redemption Amount**”. The compensation payment which that Borrower pays is determined by the particular mortgage offer upon which that Borrower's Loan was based.

If a Borrower redeems a Loan before the end of the term/within the Relevant Period and takes out a new loan with a Legal Title-Holder, the Cash/Bond Administrator may, in its absolute discretion, up to 30 days after receipt of the Mortgage Early Redemption Amount, refund that Mortgage Early Redemption Amount to that Borrower. A Mortgage Early Redemption Amount not so refunded will comprise part of the Available Revenue Funds.

If a Borrower defaults and Enforcement Procedures are initiated, the Enforcement Proceeds may be insufficient to repay the Enforcement Liabilities. The Enforcement Proceeds will be applied first in repaying all Enforcement Liabilities. Only when all Enforcement Liabilities have been repaid will the remaining Enforcement Proceeds (if any) be applied towards payment of Mortgage Early Redemption Amounts.

Lending Criteria

Mortgage Pool 1 Lending Criteria

Subject to limited exceptions, the following criteria (the “**Mortgage Pool 1 Lending Criteria**”) is a summary consolidating certain of the lending criteria applied in relation to the Loans originated by KMC or its affiliates between April 1996 and November 2008. Certain of the Loans in Mortgage Pool 1 may have been originated using different criteria. Capitalised terms used in this section are used in respect of the Mortgage Pool 1 Lending Criteria only, unless the context otherwise requires.

Security

- (a) Each Loan in respect of freehold or long leasehold residential properties situated in England or Wales (“**English Properties**”) must be secured by a first legal mortgage (an “**English Mortgage**”), except for any prior ranking statutory charge (as referred to in s.156 of the Housing Act 1985) in relation to a Right to Buy Loan for which the Legal Title-Holder has the benefit of Right to Buy Insurance. Each Loan in respect of heritable or long leasehold residential properties situated in Scotland (“**Scottish Properties**”) must be secured by a first ranking standard security (a “**Scottish Mortgage**”), except for any prior ranking standard security in favour of the seller of the relevant Scottish Property (as referred to in s.72 of the Housing (Scotland) Act 1987) in relation to a Right to Buy Loan for which the Legal Title-Holder has the benefit of Right to Buy Insurance. The English Properties and Scottish Properties are collectively defined as the “**Property**” or the “**Properties**”.
- (b) Only property of standard construction intended for use wholly or partly as a principal place of residence or let under an assured shorthold tenancy or, in Scotland, a short assured tenancy is acceptable.
- (c) Properties under 10 years old will have the benefit of a NHBC or architect’s certificate or equivalent guarantee from an acceptable body.
- (d) The following are examples of types of property deemed unacceptable as security:
 - (i) freehold flats and maisonettes (other than in Scotland);
 - (ii) properties designated as defective under the Housing Defects Act 1984, Housing Act 1985 or the Housing (Scotland) Act 1987;
 - (iii) Ex-Local Authority flats and maisonettes except at the discretion of KMC or its affiliates acting on the basis of a Prudent Mortgage Lender;
 - (iv) properties containing mundic block materials;
 - (v) properties with agricultural restrictions; or

- (vi) properties not wholly owned by the Borrower, where equity is retained by a builder/developer, housing association or other third party.
- (e) Each Property offered as security will have been valued by a qualified surveyor (a RICS or equivalent qualification) chosen from a panel of valuation firms approved by the relevant originator or, in accordance with a valuation system provided by a third-party entity for the automated valuation of properties securing mortgage loans (such as the Realtime Valuation System provided by Hometrack Data Systems).
- (f) At the time of completion, the relevant Property must have been insured under a Block Buildings Policy or a buildings insurance policy either (i) in the joint names of the mortgagor and KMC (or its affiliates), or (ii) with the interest of KMC (or its affiliates) (as mortgagee or heritable creditor) endorsed or deemed noted thereon or (iii) in the name of KMC (or its affiliates) alone or, in the case of leasehold property, is covered by a landlord's building insurance policy, with, where possible, the interests of KMC (or its affiliates) and the relevant Borrower endorsed or deemed noted thereon ("*primo loco*" in the case of a Scottish mortgagor), in each case, with a reputable insurance company agreed to by KMC (or its affiliates), against all risks usually covered by a Prudent Mortgage Lender when advancing money on the security of property of the same nature to an amount not less than the full reinstatement value determined at or around the time the related loan was made.

Term

No Loan may have a term of more than 35 years.

Loan Amount

Loans at the time of completion must be at least £25,001 or such lesser amount which at origination was sufficient to ensure that the Loan was not a regulated loan for the purposes of the CCA.

Loan to Value

- (a) The loan to value ratio (the "**LTV**") is calculated by dividing the gross principal amount committed at completion of the Loan by the valuation of the Property at origination of the Loan or, in some cases, the lower of such valuation and the sale price.
- (b) The LTV of each Loan at the date of the initial advance must be no more than 95% (exclusive of any arrangement fee which may be added to the Loan) (the "**Maximum LTV**").

Borrowers

- (a) Borrowers must have been at least 18 years of age prior to completion of the Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to a Loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
 - (i) search supplied by credit reference agency;
 - (ii) confirmation of voters roll entries;
 - (iii) reference from current and previous employers;
 - (iv) accountant's certificate;
 - (v) reference from current and previous lenders;
 - (vi) reference from current and previous landlords; or
 - (vii) the Borrower's history with a member of the Kensington group.
- (d) Where a county court judgment (or its Scottish equivalent) ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or

landlords' references or a Borrower has been subject to a Bankruptcy Order (or its Scottish equivalent) ("BO") or Individual Voluntary Arrangement (or its Scottish equivalent) ("IVA"), explanations should have been provided.

- (e) Where satisfaction of CCJs is a requirement of the Loan, a certificate of satisfaction (or its Scottish equivalent) must have been provided or the CCJ must have been able to be verified as satisfied by reference to a credit search.
- (f) Where repayment of loan or rent arrears is required, confirmation of such repayment must have been obtained.
- (g) Borrowers who were the subject of a BO must have provided a certificate of discharge (or its Scottish equivalent). Borrowers who were the subject of an IVA will have provided an explanation for their IVA (or its Scottish equivalent) where appropriate.

Income

Owner Occupied Loans

Owner occupied Loans are tested either by reference to income multiples.

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers (holding at least 25% of the issued share capital of the company, partner in a partnership, or a sole trader), pensions, investments and rental income, and other monies approved by an authorised officer of KMC (or its affiliates). Income may be self-certified.
- (b) The principal amount of any Loans advanced will not exceed the higher of 4.25 times the assessed income of the primary borrower plus 1 times the assessed income of the secondary borrower or 3.5 times the combined assessed incomes of the primary and secondary borrowers.

Buy to Let Loans

- (a) Rental income is determined by reference to the application form and supporting documentation including where appropriate the opinion of a valuer or a reputable independent letting agent. It is the monthly amount a Property is let for or may reasonably be let for.
- (b) The assessed rental income must be at least as high as 120% of the scheduled monthly payment on the Loan at the time the Loan was underwritten

Solicitors

The firm of solicitors acting on behalf of the relevant originator on the making of each Loan must have at least two practising partners (if a partnership), two principals (if a limited liability partnership) or two directors (if a limited company) or, alternatively, the Loan must be originated in accordance with the relevant procedure for completion of Loans the subject of title insurance.

Further Advances

Further Advances made prior to the Issue Date are governed by the same criteria as initial advances with the following additions:

- (a) at least three months must have elapsed since completion of the initial advance;
- (b) repayments on the Loan must be up-to-date; and
- (c) the Loan must have experienced no arrears at any time in the previous 3 months.

Should the Legal Title-Holder agree to pay any Further Advances made on a Loan on or after the Issue Date, this will result in the Seller or, failing whom, the Guarantor (or one of its affiliates), being required to

repurchase such Loan (or procure the repurchase of such Loan) from the Issuer and make a cash payment to the Issuer as consideration therefor.

Mortgage Pool 2 Lending Criteria

Subject to limited exceptions, the following criteria (the “**Mortgage Pool 2 Lending Criteria**”) is a summary consolidating certain of the lending criteria applied in relation to the Loans originated by Money Partners Limited. Certain of the Loans in Mortgage Pool 2 may have been originated using different criteria. Capitalised terms used in this section are used in respect of the Mortgage Pool 2 Lending Criteria only, unless the context otherwise requires.

Security

- (a) Each Loan in respect of English Properties must be secured by an English Mortgage, except for any prior ranking statutory charge (as referred to in s.156 of the Housing Act 1985) in relation to a Right to Buy Loan for which the Legal Title-Holder has the benefit of Right to Buy Insurance. Each Loan in respect of Scottish Properties must be secured by a Scottish Mortgage, except for any prior ranking standard security in favour of the seller of the relevant Scottish Property (as referred to in s.72 of the Housing (Scotland) Act 1987) in relation to a Right to Buy Loan for which the Legal Title-Holder has the benefit of Right to Buy Insurance.
- (b) Only Property of standard construction (including concrete block properties repaired under the PRC Approved licence system up to 70% LTV but excluding “Wimpey No Fines” and “Laing Easiform” constructed properties up to a maximum LTV of 85%) intended for use wholly or partly as a principal place of residence or let under an assured shorthold tenancy (with a maximum term of twelve months) (or, in Scotland, a short assured tenancy (with a maximum term of six months and monthly thereafter)) is acceptable.
- (c) Properties under 10 years old will have the benefit of an NHBC, Zurich, Zurich Municipal or Premier guarantee or an architect’s certificate or equivalent guarantee from an acceptable body.
- (d) The following are examples of types of Property which are usually deemed unacceptable as security unless the prior written consent of the relevant originator has been obtained:
 - (i) Freehold flats and maisonettes (other than in Scotland);
 - (ii) Properties designated as defective under the Housing Defects Act 1984, the Housing Act 1985 or the Housing (Scotland) Act 1987;
 - (iii) Ex-Local Authority flats exceeding four stories and not mortgageable from conventional sources and maisonettes except at the discretion of the relevant originator acting on the basis of a Prudent Mortgage Lender;
 - (iv) Properties containing mundic block materials unless covered by a Class A classification;
 - (v) Properties with agricultural restrictions; and
 - (vi) Properties not wholly owned by the Borrower, where equity is retained by a builder/developer, housing association or other third party.
- (e) To the extent required by the underwriting criteria, each Property offered as security will have been valued either (i) by a valuer chosen from a panel of valuation firms approved by the relevant originator or (ii) in accordance with a valuation system provided by a third-party entity for the automated valuation of properties securing mortgage loans (such as the Realtime Valuation System provided by Hometrack Data Systems Limited).
- (f) At the time of completion, the relevant Property must have been insured under an insurance policy either (i) in the joint names of the mortgagor and the lender, or (ii) with the interest of the relevant lender (as mortgagee or heritable creditor) endorsed or deemed noted thereon or (iii) in the name of the lender alone or, in the case of leasehold property, is covered by a landlord’s building insurance policy, with, where possible, the interest of the relevant lender endorsed or deemed noted thereon, in

each case, with a reputable insurance company agreed to by the relevant lender, against all risks usually covered by a Prudent Mortgage Lender (defined below) when advancing money on the security of property of the same nature and to an amount not less than the full reinstatement value determined at or around the time the related Loan was made.

Loan Amount

Loans must be at least £25,001 or such lesser amount which at origination was sufficient to ensure that the Loan was not a regulated loan for the purposes of the CCA.

Loan to Value

- (a) The loan to value ratio (the “LTV”) is calculated by dividing the gross principal amount committed at completion of the Loan (exclusive of any arrangement fee which may be added to the Loans) by the valuation of the Property at origination of the Loan or, in some cases, the lower of such valuation and the sale price.
- (b) The LTV of each Loan at the date of the initial advance must be no more than 95%

Term

Each Loan must have an initial term of between five and 30 years.

Borrowers

- (a) Borrowers must have been at least 18 years of age prior to completion of the Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to a Loan.
- (c) The Borrower’s credit and employment history will have been assessed with the aid of one or more of the following:
 - (i) Search supplied by credit reference agency;
 - (ii) Confirmation of voters roll entries;
 - (iii) References from current employers;
 - (iv) Accountant’s certificate;
 - (v) References from current and/or previous lenders; and
 - (vi) References from current and/or previous landlords.
- (d) Where a CCJ relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders’ or landlords’ references or a Borrower has been subject to a BO or IVA, explanations should have been provided. Generally, a CCJ will be accepted without explanation if it (i) was registered not less than two years before the Borrower’s application for a Loan, and (ii) related to a sum of not more than £100.
- (e) A written explanation for any loan or rent arrears from the applicant must accompany any application with a history of arrears and the relevant underwriter must have been satisfied that the problems that caused the arrears situation were unlikely to reoccur following completion of the new loan.
- (f) With respect to those Borrowers who were the subject of a BO or IVA, the relevant underwriter must have been satisfied that the problems that led to the BO or IVA were historic.

Income

Owner Occupied Loans

Owner occupied Loans are tested by reference to debt-to-income ratio calculations. Payments in respect of a Loan, when aggregated with any other payments in respect of secured lending by a borrower, will not exceed

forty per cent. (40%) of the assessed income of a sole borrower, or forty per cent. (40%) of the combined assessed incomes of joint borrowers or if the amount of advance exceeds certain thresholds and depending on a number of other underwriting factors, such as prior CCJs relating to a Borrower, this figure is reduced to a thirty five per cent. (35%). In calculating annual income for a Borrower, bonus payments do not get annualised but will be included in the total annual figure after the regular base payments have been annualised.

Buy to Let Loans

- (a) Rental income is determined by reference to the application form and supporting documentation, including where appropriate the opinion of a valuer or a reputable independent letting agent. It is the monthly amount a Property is let for or may reasonably be let for.
- (b) The assessed rental income must be equivalent to 120% (or greater) of the scheduled monthly payment on the Loan at the time the Loan was underwritten.

Solicitors/Title Insurance Providers

Any firm of solicitors acting on behalf of the relevant originator on the making of each Loan must have at least two practising partners (if a partnership) or two principals (if a limited liability partnership) or two directors (if a company) or alternatively, the Loan must be originated in accordance with the relevant procedure for completion of Loans the subject of title insurance.

Further Advances

Further Advances made prior to the Issue Date were governed by the same criteria as initial advances with the following additions:

- (a) At least three months must have elapsed since completion of the initial advance.
- (b) Repayments on the Loan must be up to date.
- (c) The Loan must have experienced arrears no greater than one month at any time in the previous three months.

Should the Legal Title-Holder agree to pay any Further Advances made on a Loan on or after the Issue Date, this will result in the Seller or, failing whom, the Guarantor (or one of its affiliates), being required to repurchase such Loan (or procure the repurchase of such Loan) from the Issuer and make a cash payment to the Issuer as consideration therefor.

Mortgage Pool 3 Lending Criteria

Subject to limited exceptions, the following criteria (the “**Mortgage Pool 3 Lending Criteria**” and together with the Mortgage Pool 1 Lending Criteria and the Mortgage Pool 2 Lending Criteria, the “**Lending Criteria**”) is a summary consolidating certain of the lending criteria applied in relation to the Loans originated by KMC or its affiliates between September 2010 and May 2014. Capitalised terms used in this section are used in respect of the Mortgage Pool 3 Lending Criteria only, unless the context otherwise requires.

Security

- (a) Each Loan must be secured by a first ranking legal mortgage (a “**Mortgage**” over a freehold or long leasehold residential property (usually at least 35 years longer than the mortgage term) in England or Wales (the “**Property**”).
- (b) Loans will be granted on residential and/or investment property offered as acceptable security in England and Wales subject to acceptable valuation. Use of all properties will be for owner occupation for residential use only except for those loans where alternative usage has been agreed at application, for example buy-to-let.
- (c) Acceptable tenure comprises: freehold houses; leasehold houses, flats and maisonettes with not less than 35 years remaining on the lease after the term of the mortgage; commonhold.

Unacceptable tenure includes: freehold flats and maisonettes; leasehold houses, flats and maisonettes with less than 35 years remaining on the lease after the term of the mortgage.

- (d) Only Property of standard construction, including self-build houses that are determined as adequate security by a suitably qualified member of the panel of valuers, are acceptable.

Properties of non-standard construction are not considered.

- (e) The following are examples of types of property which are deemed unacceptable as security unless the Legal Title-Holder agrees otherwise:

- (i) Properties of 100% timber construction.
- (ii) Properties designated as defective under the Housing Defects Act 1984 and the Housing Act 1985.
- (iii) Properties containing mundic block materials.
- (iv) Ex-local authority flats and maisonettes.
- (v) Studio flats.
- (vi) Basement flats.
- (vii) Steel framed houses. Steel framed flats are acceptable security provided construction occurred in 2001 or later.
- (viii) Borrower or Borrower-owned business owning more than 25% of the freehold of the block in so far as can be ascertained at the time of underwriting.
- (ix) Flats above commercial premises.

- (f) The following are examples of types of property which are never acceptable:

- (i) Properties with agricultural restrictions.
- (ii) Properties determined as unacceptable by the valuer.
- (iii) Properties less than ten years old without either a NHBC certificate, Architects Certificate, Premier Guarantee or limited guarantee provided by BLP Insurance.
- (iv) Properties not wholly owned by the Borrower or shared ownership.
- (v) Multi-unit properties.
- (vi) Prefabricated re-enforced concrete (repaired or not).
- (vii) Properties with Japanese Knotweed on site.

- (g) Properties offered as security are professionally valued by a nominated panel company. Security worth more than £750,000, will be subject to two RICS panel valuation reports. Lending will be based on the lower of the two valuation figures. All RICS valuations will have the market valuation checked against an automated valuation model where possible.

- (h) Prior to the release of advance monies to a borrower, the Legal Title-Holder requires the property offered as security to be comprehensively insured for not less than the full reinstatement figure recommended by the valuer and shown on the property valuation report plus 12.5%. The policy must, *inter alia*: (i) be a comprehensive index linked insurance policy issued by a reputable insurer and be reviewed annually; (ii) be on standard commercial terms; (iii) contain a mortgagee's protection clause; and (iv) contain a note of the Legal Title-Holder's interest. The Legal Title-Holder does not currently offer buildings insurance at point of sale. Customers must arrange their own insurance prior to completion. In all cases prior to completion, a valid buildings insurance policy must be checked by the Legal Title-Holder's solicitors/title insurers prior to completion to ensure suitable cover is in place.

Loan Amount

For first-time buyers, the maximum loan amount is £500,000. For purchase and remortgage, the maximum loan amount is £1,000,000 up to 75% LTV and £500,000 above 75% LTV. For buy-to-let, the maximum loan amount is £1,000,000 up to 75% LTV and £500,000 above 75% LTV.

Loan to Value

- (a) The LTV is calculated by dividing the gross principal amount committed at completion of the Loan (exclusive of any arrangement fee which may be added to the Loan) by the valuation of the Property at origination of the Loan or, in some cases, the lower of such valuation and the sale price.
- (b) The LTV of each Loan at the date of the advance must be no more than 90% (inclusive of any fees added to the Loan).

Term

A loan term of between five and thirty years can be considered subject to scheme rules.

Borrowers

- (a) A minimum of one and a maximum of four Borrowers are allowed to be parties to the Loan. Only the two highest incomes will be used for calculating the lending available.
- (b) Minimum age requirements vary with product and the time at which the Loan was originated. Typically, Borrowers must have been at least 21 years of age prior to completion of the Loan, but some products and LTV ratios (typically above 80%) require Borrowers to be at least 25 years of age. Borrowers must have been at least 25 years of age prior to completion of a Loan for buy-to-let. For most products, the maximum age of any borrower at the end of mortgage term must not exceed 65 or expected retirement age, whichever is the earlier. However, some schemes (for example, buy-to-let) may allow lending into retirement to a maximum age of 75 at the end of the mortgage term.
- (c) The Borrower's credit and employment history will have been assessed with the aid of the following:
- (i) a search covering a period of 24 months prior to the date of application supplied by a credit reference agency;
 - (ii) confirmation of voters roll entries;
 - (iii) full 12 months employment history (if applicable);
 - (iv) references from former lenders (if not shown on the credit reference agency report); and
 - (v) references from current and/or previous commercial landlords.
- (d) Some schemes may allow CCJs. Where CCJs are permitted, CCJs must be satisfied prior to application to be considered satisfied. Loans are not to be offered on the basis that CCJs will be satisfied post offer, thereby qualifying the loan for inclusion in a higher scheme class.
- (e) A comprehensive explanation for any arrears from a Borrower must accompany any application with arrears history and the relevant underwriters must have been satisfied that the problems that caused the arrears situation are unlikely to reoccur following completion of the Loan.

Income and Affordability

Income

- (a) Applicants with the higher gross income will be considered the primary applicant except in cases where applicants formally request the contrary. There must be a minimum total assessable income of £25,000 on joint applications. On sole applicant applications there must be a minimum total assessable income of £18,000. In assessing minimum income no Working Family Tax Credits can be taken into account and income must be from a single source. For buy-to-let applications, the minimum income of one applicant must be £25,000. If the customer is a part time landlord then the £25,000/£30,000 must be a separate source of income from the rental income received from property. Employed applicants must be in the same employment for more than three months and must have completed any probationary period. All types of employment are confirmed via telephone enquiries to employer/business address. Ideally, a three year net profit history is required to verify income in self-employed situations; however, a minimum of one year's trading supported by financial accounts is acceptable. The underwriter will be satisfied that the self-employed business is in existence. Selected schemes are underwritten on confirmation of projected rental income where the property is to be let out on an Assured Shorthold Tenancy Agreement. The rental income projection must be confirmed by a RICS qualified valuer.
- (b) Having established the level of income attributable to each applicant, regular and ongoing financial commitments over and above normal household expenditure will be annualised and deducted from this figure to determine the net disposable income and used in the affordability calculation.
- (c) Where income calculations allow, loans excluding existing mortgages will not need to be redeemed as a condition of the mortgage offer.

Affordability

- (a) All residential applications are subject to a full affordability assessment. Income is classed as 100% of net profit figure or basic salary and up to 100% of all bonuses, overtime, dividends shares of profits, guaranteed salary allowances, private pensions, investment income and other declarable income for tax purposes. Income is only acceptable if it is regular, sustainable and evidenced.
- (b) For residential mortgage loans only, as a secondary stream of income only and not to be used as part of the minimum income criteria, the following are acceptable: Maintenance payments supported by Court Order/Child Support Agency documentation and last three months bank statements to verify receipts.
- (c) For residential mortgages, central to the affordability assessment is the calculation of the applicant's disposable income, which is determined by reference to the gross declared income of the applicant less amounts to be applied towards payment of (i) tax, national insurance and council tax, (ii) a loading amount determined by the number of dependants of the applicant and (iii) contractual commitments and regular expenditure.
- (d) Once the applicant's disposable income has been calculated, a Debt-to-Income Ratio (“**DTIR**”) affordability calculation is carried out in order to determine the maximum amount an applicant can borrow on a repayment or interest only basis (and, if interest only, the DTIR calculation should include the cost, as appropriate, of any repayment vehicle). The DTIR calculation uses a 'loaded' reversionary rate in its calculations to stress the borrower's affordability both now and if rates increase. The loading will vary from time to time and currently it is 2% above the reversionary rate.
- (e) The amount an applicant can borrow is limited to the maximum loan size allowed as calculated by the DTIR calculation (capped at a maximum of 4.5 times income).
- (f) Where the affordability assessment does not support the level of borrowing requested the case will have been declined or the loan amount reduced.

Buy-to-Let Loans

For buy-to-let Loans, gross rental income must be a minimum of 120% (or as otherwise determined by the relevant product guide) of the pay rate and approximately 100% of the reversionary rate plus a 1% loading on an interest only or capital and interest basis. The rental yield must be based on the rent confirmed by a qualified RICS valuer. In some cases, a RICS audit valuation may also be obtained to confirm the property value.

Solicitors

Any firm of solicitors acting on behalf of the lender on the making of each Loan must be registered with the Law Society of England and Wales. For loans originated prior to 1 March 2011 the firm of solicitors acting on behalf of the lender had to have at least three partners. This requirement was increased to four partners on 1 March 2011.

Further Advance

Borrowers may request further advances.

Should the Legal Title-Holder agree to pay any Further Advances made on a Loan on or after the Issue Date, this will result in the Seller or, failing whom, the Guarantor (or one of its affiliates), being required to repurchase such Loan (or procure the repurchase of such Loan) from the Issuer and make a cash payment to the Issuer as consideration therefor.

Porting

The Loans are not portable.

Criteria common to Mortgage Pool 1, Mortgage Pool 2 and Mortgage Pool 3

Changes to Lending Criteria, Administration and Servicing

Subject to obtaining any relevant consents, the Legal Title-Holder as lender of record in respect of the Loans and Mortgages and, KMC as Special Servicer and Mortgage Administrator may vary the relevant Lending Criteria or the basis on which consents or approvals are given to Borrowers from time to time and KMC as Special Servicer may vary the service specification and collection policies and, in each case, in doing so they must act as a reasonably prudent mortgage lender acting in a manner consistent with that of an experienced lender, servicer or administrator of residential mortgage loans lending to borrowers in England, Wales and Scotland who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital (a “**Prudent Mortgage Lender**”).

Flexible Loans

The Mortgage Pool will include Loans originated by KMC where the relevant Borrower may, subject to certain limitations, be entitled to request a repayment from the lender of amounts representing overpayment on its Loan (each a “**Borrow-Back**”) or to request that it uses an amount not exceeding the amount then recorded as an overpayment towards all or part of that Borrower’s monthly payments (each a “**Payment Holiday**”). Amounts that can be requested by Borrowers for Borrow-Backs are subject to:

- (a) a minimum amount equal to the lower of previous unutilised overpayments, being the cumulative amounts paid by Borrowers in excess of their scheduled periodic payments which are not subject to an early redemption charge, and £500; and
- (b) a maximum amount equal to the amount of unutilised overpayments.

In respect of those Loans, the Borrower may only request a maximum of two Payment Holidays in any year, starting on the day the Loan was originally advanced and any Payment Holiday must be for a minimum period of one month. The balance of all Loans including Borrow-Backs or Payment Holidays as conditions (known as “**Flexible Loans**”) included within the Provisional Completion Mortgage Pool as at the Cut-off Date will not exceed 4.82% of the aggregate Balances of all Loans in the Mortgage Pool. The provisions of the CCA,

the FSMA and MCOB will have been complied with to the extent they are in force and apply to any such Borrow-Back. To the extent that Available Principal Funds would as a result of actual or anticipated Borrow-Backs as at the relevant Determination Date otherwise fall to less than zero, then the Seller or, failing whom, the Guarantor, shall repurchase (or procure the repurchase by one of its affiliates of) a sufficient number of such Flexible Loans to ensure that Available Principal Funds is greater than (or equal to) zero.

Title Insurance

From January 1999, certain of the relevant originators began offering a title insurance product, which enables a Borrower to remortgage a Property under an expedited procedure that can allow completion within ten days from the offer by the relevant originator to extend the remortgage loan. The process differs from traditional conveyancing practice in that there is no in-depth investigation of title. Instead, First Title Insurance plc (“**First Title**”), a company (registered in England and Wales under company no. 01112603) whose registered address is Title House, 33-39 Elmfield Road, Bromley, Kent BR1 1LT, provides a home loan protection policy that insures each relevant Loan on a Property for the benefit of, *inter alios*, the relevant originator. Among other things, this policy provides protection (a) that there is good and marketable title; (b) that the Property was built, and (if relevant) modified or extended since, in compliance with all necessary planning and building regulations approvals; (c) that there is nothing in the Local Authority records to the detriment of the owner of the Property; and (d) against costs or legal expenses necessary to defend the title. After the agent of First Title checks ownership of the property, it provides a certificate of insurance to the relevant originator (as applicable). The agent then arranges execution of the relevant documents, requests funds from the relevant originator and, upon receipt, disburses such funds under the relevant originator’s instructions and completes the transaction.

In respect of certain Loans comprising Mortgage Pool 1 or Mortgage Pool 2, title insurance provided by First Title Limited will have been obtained. The Issuer will have the benefit of the First Title policy in respect of the relevant Loans sold to the Issuer pursuant to the Kayl/Issuer Mortgage Sale Agreement.

In respect of Loans comprising Mortgage Pool 3, either (a) solicitors will have carried out usual investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors or conveyancers normally make when lending to an individual on the security of residential property in England and Wales and in each case received a certificate of title or report on title relating to such Property, or (b) title insurance will have been obtained. If title insurance was obtained, this will have been provided by First Title Limited and the Issuer will have the benefit of the First Title policy in respect of the relevant Loans sold to the Issuer pursuant to the Kayl/Issuer Mortgage Sale Agreement.

Valuation

Investors should be aware that, other than the valuation of Properties undertaken as at origination (as more fully described in “*The Mortgage Pool*”), no revaluation of any Property has been undertaken by the Arranger, the Joint Lead Managers, KMC, the Seller, the Guarantor, the Issuer or the Mortgage Administrator, the Trustee or any other person in respect of the issue of the Notes and the valuations quoted are at the date of the original Loan origination.

Information Regarding the Policies and Procedures of the Originator, Legal Title-Holders or other group entities as relevant

The Originator, the Legal Title-Holders and other group entities as relevant have internal policies and procedures in relation to the granting of mortgage loans, administration of credit-risk bearing portfolios and risk mitigation, which include:

- (a) criteria for the granting of mortgage loans and the process for approving, amending, renewing and re-financing mortgage loans (see “*Constitution of the Mortgage Pool*”);
- (b) systems in place to administer and monitor the mortgage loans and exposures (the Mortgages will be serviced in line with the usual servicing procedures of the Originator and Legal Title-Holders – see “*Administration, Servicing and Cash Management of the Mortgage Pool*”);

- (c) adequate diversification of the Originator and Legal Title-Holders' mortgage loan books, given their target market and overall credit strategy (see "*Characteristics of the Provisional Completion Mortgage Pool*"); and
- (d) written policies and procedures in relation to risk mitigation techniques (see "*Administration, Servicing and Cash Management of the Mortgage Pool*").

CHARACTERISTICS OF THE PROVISIONAL COMPLETION MORTGAGE POOL

The statistical and other information contained in this Prospectus has largely been compiled by reference to Loans in the Mortgage Pool as at 31 December 2014 (the “**Cut-Off Date**”) (the “**Provisional Completion Mortgage Pool**”). The Provisional Completion Mortgage Pool has the aggregate characteristics indicated in the Tables below.

The information contained these tables has been extracted from information provided by the Mortgage Administrator (which information has been subject to rounding and therefore columns of percentages may not add up to 100%). None of the information provided in such section have been the subject of an audit. In particular, information relating to CCJs, Bankruptcy Orders or IVAs (in each case, including their Scottish equivalents) has not been subject to due diligence by means of an agreed upon procedure or other similar examination. The Mortgage Administrator is not providing any representations or warranties in respect of this information.

Each of the Arranger and the Joint Lead Managers are entitled to assume that all information provided to them by the Mortgage Administrator for the purpose of reporting on the arithmetic or other accuracy is true and correct and is complete and not misleading and are not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information save that the Mortgage Administrator will be required to advise the Joint Lead Managers if they have not been provided with any of those figures which it is required to provide.

Further information in respect of anonymised individual loan level data may be obtained on the following website: www.ctslink.com. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

A Loan will be removed from the Mortgage Pool if, in the period from (and including) the Cut-Off Date up to (but excluding) the date on which the Completion Mortgage Pool is confirmed, such Loan is repaid in full or such Loan does not comply with the Warranties given in respect of the Loans in the Mortgage Pool.

Pool Stratification

Table 1: Summary

Summary Characteristics	Total	Pool 1	Pool 2	Pool 3
Current Outstanding Balance.....	£513,292,458	£359,800,723	£55,175,801	£98,315,933
No. of Loans	4,269	2,928	623	718
Weighted Average Original LTV	76.89%	78.28%	72.92%	73.99%
Average Current Balance.....	£120,237	£122,883	£88,565	£136,930
Weighted Average Interest Rate	4.83%	4.87%	5.20%	4.47%
Weighted Average Stabilised Margin*	4.37%	4.32%	4.65%	4.39%
Weighted Average Term to Maturity (Years).....	16	15	15	20
Weighted Average Current Indexed LTV (Land Registry Index)	75.29%	78.03%	73.19%	66.42%
BBR.....	0.49%	0.63%	0.00%	0.25%
SVR	80.11%	99.17%	98.59%	0.00%
3 Month Libor.....	19.39%	0.20%	1.41%	99.75%
Self-Certified	61.08%	80.62%	42.53%	0.00%
Self-Employed	50.33%	53.69%	41.15%	43.18%
Buy to Let.....	13.62%	5.97%	2.73%	47.70%
Weighted Average Origination Date.....	Sep-08	Jul-07	Jun-07	Jun-13
Bankruptcy/IVA	0.84%	0.94%	1.68%	0.00%
Largest Loan Balance	£904,544	£904,544	£646,113	£730,441

* Assumes Libor of 0.55%

Table 2: Distribution of Loans by Loan to Value Ratio (Original Loan to Value)

Original LTV	No. of Loans	% of Loans	Original Balance	% of Original Balance
<=10.00%	12	0.28%	192,603	0.04%
>10.00% <=20.00%	42	0.98%	1,498,163	0.28%
>20.00% <=30.00%	90	2.11%	4,112,968	0.76%
>30.00% <=40.00%	146	3.42%	9,977,861	1.84%
>40.00% <=50.00%	237	5.55%	19,102,610	3.53%
>50.00% <=60.00%	404	9.46%	39,002,441	7.20%
>60.00% <=70.00%	581	13.61%	69,404,091	12.81%
>70.00% <=80.00%	756	17.71%	102,147,182	18.86%
>80.00% <=90.00%	1,182	27.69%	173,648,923	32.06%
>90.00% <=100.00%	819	19.18%	122,525,328	22.62%
>100.00%	0	0.00%	0	0.00%
Total	4,269	100.00%	541,612,171	100.00%

Weighted Average 76.89%
 Minimum 4.64%
 Maximum 96.43%

Table 3: Distribution of Loans by Loan to Value Ratio (Current Loan to Value)

Current LTV	No. of Loans	% of Loans	Original Balance	% of Original Balance
<=10.00%	70	1.64%	600,314	0.12%
>10.00% <=20.00%	103	2.41%	2,886,584	0.56%
>20.00% <=30.00%	146	3.42%	6,239,793	1.22%
>30.00% <=40.00%	215	5.04%	13,362,488	2.60%
>40.00% <=50.00%	326	7.64%	24,257,190	4.73%
>50.00% <=60.00%	430	10.07%	40,025,588	7.80%
>60.00% <=70.00%	494	11.57%	61,963,659	12.07%
>70.00% <=80.00%	915	21.43%	120,036,926	23.39%
>80.00% <=90.00%	890	20.85%	135,696,347	26.44%
>90.00% <=100.00%	663	15.53%	105,967,802	20.64%
>100.00%	17	0.40%	2,255,766	0.44%
Total	4,269	100.00%	513,292,458	100.00%

Weighted Average 75.17%
 Minimum 0.22%
 Maximum 119.14%

Table 4: Distribution of Loans by Current Balance

Current Balance	No. of Loans	% of Loans	Original Balance	% of Original Balance
<=25,000	166	3.89%	2,264,584	0.44%
>25,000 <=50,000	384	9.00%	14,795,772	2.88%
>50,000 <=100,000	1,484	34.76%	112,443,278	21.91%
>100,000 <=150,000	1,095	25.65%	135,087,947	26.32%
>150,000 <=200,000	561	13.14%	96,611,399	18.82%
>200,000 <=250,000	341	7.99%	75,239,199	14.66%
>250,000 <=500,000	229	5.36%	71,168,391	13.87%
>500,000 <=750,000	8	0.19%	4,777,344	0.93%
>750,000 <=1,000,000	1	0.02%	904,544	0.18%
>1,000,000	0	0.00%	0	0.00%
Total	4,269	100.00%	513,292,458	100.00%

Average 120,237
 Minimum 291
 Maximum 904,544

Table 5: Distribution of Loans with CCJs

CCJs by Original LTV	No. of Loans	% of Total	No. of Loans CCJ 0	No. of Loans CCJ 0 % of Total	No. of Loans CCJ 1	No. of Loans CCJ 1 % of Total	No. of Loans CCJ >1	No. of Loans CCJ >1 % of Total
<=10.00%	12	0.28%	10	0.23%	1	0.02%	1	0.02%
>10.00% <=20.00%	42	0.98%	36	0.84%	4	0.09%	2	0.05%
>20.00% <=30.00%	90	2.11%	65	1.52%	17	0.40%	8	0.19%
>30.00% <=40.00%	146	3.42%	110	2.58%	29	0.68%	7	0.16%
>40.00% <=50.00%	237	5.55%	183	4.29%	28	0.66%	26	0.61%
>50.00% <=60.00%	404	9.46%	306	7.17%	67	1.57%	31	0.73%
>60.00% <=70.00%	581	13.61%	404	9.46%	124	2.90%	53	1.24%
>70.00% <=80.00%	756	17.71%	571	13.38%	124	2.90%	61	1.43%
>80.00% <=90.00%	1,182	27.69%	847	19.84%	230	5.39%	105	2.46%
>90.00% <=100.00%	819	19.18%	687	16.09%	83	1.94%	49	1.15%
>100.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	4,269	100.00%	3,219	75.40%	707	16.56%	343	8.03%

Weighted Average 76.89%
 Minimum 4.64%
 Maximum 96.43%

Table 6: Distribution of Loans by Remaining time to maturity

Remaining Time to Maturity (Years)	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=5	317	7.43%	26,916,890	5.24%
>5 <=10	513	12.02%	48,551,172	9.46%
>10 <=15	924	21.64%	107,285,638	20.90%
>15 <=20	1,786	41.84%	235,881,803	45.95%
>20 <=25	598	14.01%	74,572,591	14.53%
>25 <=30	131	3.07%	20,084,363	3.91%
Total	4,269	100.00%	513,292,458	100.00%

Weighted Average 16
 Minimum 0
 Maximum 29

Table 7: Distribution of Loans by Seasoning

Seasoning	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=12	217	5.08%	30,104,824	5.87%
>12 <=24	345	8.08%	48,915,308	9.53%
>24 <=36	80	1.87%	10,259,431	2.00%
>36 <=48	71	1.66%	8,436,364	1.64%
>48 <=60	10	0.23%	1,265,167	0.25%
>60 <=72	6	0.14%	599,335	0.12%
>72 <=84	91	2.13%	8,059,622	1.57%
>84 <=96	3,329	77.98%	396,642,996	77.27%
>96	120	2.81%	9,009,412	1.76%
Total	4,269	100.00%	513,292,458	100.00%

Weighted Average 76
 Minimum 7
 Maximum 225

Table 8: Distribution of Loans by Repayment Method

Repayment Method	No. of Loans	% of Loans	Current Balance	% of Current Balance
Interest Only	2,522	59.08%	360,768,415	70.29%
Repayment.....	1,678	39.31%	144,041,113	28.06%
Part & Part.....	69	1.62%	8,482,929	1.65%
Total.....	4,269	100.00%	513,292,458	100.00%

Table 9: Distribution of Loans by Rate Type

Rate Type	No. of Loans	% of Loans	Current Balance	% of Current Balance
Floating.....	3,679	86.18%	431,214,706	84.01%
Fixed.....	590	13.82%	82,077,752	15.99%
Total.....	4,269	100.00%	513,292,458	100.00%

Table 10: Distribution of Loans by Interest Product Type

Interest Product Type	No. of Loans	% of Loans	Current Balance	% of Current Balance
3 Month Libor.....	743	17.40%	99,552,429	19.39%
BBR.....	15	0.35%	2,523,711	0.49%
SVR.....	3,511	82.24%	411,216,319	80.11%
Total.....	4,269	100.00%	513,292,458	100.00%

Table 11: Distribution of Loans by Fixed Rate Reversion

Fixed Rate Reversion Year	No. of Loans	% of Loans	Current Balance	% of Current Balance
Floating.....	3,679	86.18%	431,214,706	84.01%
2015.....	430	10.07%	60,883,604	11.86%
2016.....	144	3.37%	19,190,697	3.74%
2017.....	16	0.37%	2,003,451	0.39%
Total.....	4,269	100.00%	513,292,458	100.00%

Table 12: Distribution of Loans by Interest Rate

Interest Rate	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=3.00%	23	0.54%	3,119,005	0.61%
>3.00% <=3.50%	99	2.32%	13,032,553	2.54%
>3.50% <=4.00%	365	8.55%	34,778,471	6.78%
>4.00% <=4.50%	1,041	24.39%	102,022,330	19.88%
>4.50% <=5.00%	1,549	36.28%	219,385,449	42.74%
>5.00% <=5.50%	414	9.70%	52,878,731	10.30%
>5.50% <=6.00%	402	9.42%	47,861,437	9.32%
>6.00% <=6.50%	167	3.91%	18,398,869	3.58%
>6.50% <=7.00%	140	3.28%	15,020,550	2.93%
>7.00% <=7.50%	39	0.91%	4,377,510	0.85%
>7.50%	30	0.70%	2,417,553	0.47%
Total	4,269	100.00%	513,292,458	100.00%

Weighted Average 4.83%
 Minimum 2.25%
 Maximum 9.55%

Table 13: Distribution of Loans by Stabilised Margin

Stabilised Margin*	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=3.00%	30	0.70%	4,067,562	0.79%
>3.00% <=3.50%	626	14.66%	52,650,456	10.26%
>3.50% <=4.00%	633	14.83%	64,266,253	12.52%
>4.00% <=4.50%	1,653	38.72%	230,813,860	44.97%
>4.50% <=5.00%	615	14.41%	79,903,745	15.57%
>5.00% <=5.50%	382	8.95%	44,488,220	8.67%
>5.50% <=6.00%	157	3.68%	19,202,967	3.74%
>6.00% <=6.50%	115	2.69%	12,716,119	2.48%
>6.50% <=7.00%	36	0.84%	3,334,894	0.65%
>7.00% <=7.50%	18	0.42%	1,492,755	0.29%
>7.50%	4	0.09%	355,627	0.07%
Total	4,269	100.00%	513,292,458	100.00%

* Assumes Libor of 0.55%
 Weighted Average 4.37%
 Minimum 1.70%
 Maximum 9.00%

Table 14: Distribution of Loans by Arrears

Arrears	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=1	4,069	95.32%	490,184,197	95.50%
>1 <=2	133	3.12%	15,007,314	2.92%
>2 <=3	43	1.01%	5,094,456	0.99%
>3 <=4	11	0.26%	1,440,585	0.28%
>4 <=5	7	0.16%	869,347	0.17%
>5 <=6	2	0.05%	177,317	0.03%
>6	4	0.09%	519,243	0.10%
Total	4,269	100.00%	513,292,458	100.00%

Weighted Average 0.1
 Minimum 0.0
 Maximum 7.0

Table 15: Distribution of Loans by Original Tenure of Loan to Value

Tenure by Original LTV	No. of Loans	% of Total	No. of Loans Feuhold	No. of Loans Feuhold % of Total	No. of Loans Freehold	No. of Loans Freehold % of Total	No. of Loans Leasehold	No. of Loans Leasehold % of Total	No. of Loans Other	No. of Loans Other % of Total
<=10.00%	12	0.28%	1	0.02%	9	0.21%	2	0.05%	0	0.00%
>10.00% <=20.00%	42	0.98%	5	0.12%	35	0.82%	2	0.05%	0	0.00%
>20.00% <=30.00%	90	2.11%	4	0.09%	72	1.69%	13	0.30%	1	0.02%
>30.00% <=40.00%	146	3.42%	7	0.16%	121	2.83%	18	0.42%	0	0.00%
>40.00% <=50.00%	237	5.55%	15	0.35%	197	4.61%	25	0.59%	0	0.00%
>50.00% <=60.00%	404	9.46%	25	0.59%	346	8.10%	33	0.77%	0	0.00%
>60.00% <=70.00%	581	13.61%	33	0.77%	472	11.06%	75	1.76%	1	0.02%
>70.00% <=80.00%	756	17.71%	42	0.98%	590	13.82%	123	2.88%	1	0.02%
>80.00% <=90.00%	1,182	27.69%	80	1.87%	952	22.30%	150	3.51%	0	0.00%
>90.00% <=100.00%	819	19.18%	39	0.91%	665	15.58%	115	2.69%	0	0.00%
>100.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	4,269	100.00%	251	5.88%	3,459	81.03%	556	13.02%	3	0.07%

Weighted Average 76.89%
 Minimum 4.64%
 Maximum 96.43%

Table 16: Distribution of Loans by Loan Purpose

Loan Purpose	No. of Loans	% of Loans	Current Balance	% of Current Balance
Purchase.....	1,939	45.42%	267,494,222	52.11%
Remortgage.....	2,309	54.09%	243,548,655	47.45%
Debt Consolidation	21	0.49%	2,249,580	0.44%
Total.....	4,269	100.00%	513,292,458	100.00%

Table 17: Distribution of Loans by Property Type

Property Type	No. of Loans	% of Loans	Current Balance	% of Current Balance
House, detached or semi-detached.....	1,893	44.34%	248,470,947	48.41%
Flat/Apartment.....	371	8.69%	47,940,811	9.34%
Bungalow.....	147	3.44%	17,973,186	3.50%
Terraced House.....	1,851	43.36%	198,582,644	38.69%
Other	7	0.16%	324,870	0.06%
Total.....	4,269	100.00%	513,292,458	100.00%

Table 18: Distribution of Loans by Region

Region	No. of Loans	% of Loans	Current Balance	% of Current Balance
East Anglia	135	3.16%	15,098,643	2.94%
East Midlands	269	6.30%	25,357,979	4.94%
Greater London.....	619	14.50%	122,890,524	23.94%
North.....	261	6.11%	21,484,438	4.19%
North West.....	649	15.20%	61,654,719	12.01%
Northern Ireland	0	0.00%	0	0.00%
South East.....	695	16.28%	103,663,773	20.20%
Scotland	273	6.39%	21,844,385	4.26%
South West.....	313	7.33%	40,154,533	7.82%
Wales.....	242	5.67%	21,551,365	4.20%
West Midlands.....	398	9.32%	41,680,950	8.12%
Yorks and Humber.....	415	9.72%	37,911,149	7.39%
Total.....	4,269	100.00%	513,292,458	100.00%

Table 19: Distribution of Loans by Originator

Originator	No. of Loans	% of Loans	Current Balance	% of Current Balance
KEN.....	3	0.07%	321,222	0.06%
KML	3,545	83.04%	449,529,586	87.58%
MPL.....	623	14.59%	55,175,801	10.75%
TML.....	98	2.30%	8,265,849	1.61%
Total.....	4,269	100.00%	513,292,458	100.00%

Table 20: Historical arrears profile of loans

Quarter	<1 Month in Arrears as % of loans existing in the quarter	>=1 Month and <3 Months in Arrears % of loans existing in the quarter	>3 Months in Arrears % of loans existing in the quarter	Total Balance Outstanding (of loans originated)	Number of Loans not yet originated	Balance of Loans not yet Originated (Original Balance)
2006-Q1	59.84%	22.69%	17.47%	8,569,504	4,154	532,598,731
2006-Q2	53.42%	31.11%	15.47%	8,845,069	4,154	532,598,731
2006-Q3	59.49%	24.66%	15.86%	9,447,029	4,150	531,846,306
2006-Q4	60.81%	28.38%	10.81%	10,260,164	4,146	531,158,146
2007-Q1	84.27%	11.96%	3.77%	26,040,760	3,977	512,983,716
2007-Q2	96.41%	2.39%	1.20%	152,139,185	2,924	386,675,101
2007-Q3	97.19%	2.10%	0.71%	311,210,374	1,703	228,924,121
2007-Q4	95.82%	3.34%	0.84%	432,298,216	804	108,568,626
2008-Q1	94.94%	3.69%	1.37%	436,338,882	743	102,554,625
2008-Q2	94.06%	4.36%	1.58%	435,843,158	736	101,775,585
2008-Q3	92.96%	5.11%	1.93%	435,180,259	728	100,997,725
2008-Q4	90.63%	6.76%	2.61%	434,768,639	718	100,162,086
2009-Q1	87.17%	8.19%	4.64%	434,029,008	718	100,162,086
2009-Q2	85.01%	8.19%	6.79%	433,952,018	718	100,162,086
2009-Q3	82.58%	8.49%	8.93%	433,529,968	718	100,162,086
2009-Q4	81.27%	9.05%	9.68%	434,428,148	718	100,162,086

2010-Q1	80.22%	9.28%	10.51%	433,901,158	718	100,162,086
2010-Q2	80.08%	8.84%	11.08%	433,253,557	718	100,162,086
2010-Q3	79.99%	9.01%	11.01%	432,667,509	717	100,017,087
2010-Q4	79.95%	8.89%	11.16%	432,069,021	713	99,494,525
2011-Q1	80.99%	7.62%	11.39%	432,133,966	705	98,641,433
2011-Q2	81.81%	7.70%	10.49%	431,522,835	701	98,224,312
2011-Q3	82.77%	7.40%	9.83%	431,269,139	697	97,594,913
2011-Q4	82.83%	8.27%	8.90%	436,736,887	642	90,975,179
2012-Q1	83.92%	8.02%	8.06%	443,283,957	587	83,332,132
2012-Q2	84.11%	8.12%	7.76%	442,670,693	583	82,585,926
2012-Q3	85.20%	7.84%	6.96%	442,234,583	575	81,843,848
2012-Q4	85.84%	8.43%	5.74%	442,226,638	562	80,390,648
2013-Q1	87.04%	8.11%	4.84%	447,444,044	518	73,814,734
2013-Q2	88.86%	7.92%	3.22%	456,617,496	441	63,235,866
2013-Q3	90.81%	6.79%	2.40%	467,829,062	346	50,438,856
2013-Q4	92.56%	5.82%	1.62%	490,677,583	216	30,361,016
2014-Q1	95.18%	3.95%	0.87%	507,607,402	89	11,519,265
2014-Q2	100.00%	0.00%	0.00%	516,873,109	0	0
2014-Q3	96.59%	3.07%	0.34%	514,946,839	0	0
2014-Q4	95.50%	3.92%	0.59%	513,292,458	0	0

LOANS ORIGINATED PRIOR TO 2010

Table 1: Summary

Summary Characteristics	Total	Pool 1	Pool 2	Pool 3
Current Outstanding Balance	£414,976,525	£359,800,723	£55,175,801	N/A
No. of Loans	3,551	2,928	623	N/A
Weighted Average Original LTV	77.54%	78.28%	72.92%	N/A
Average Current Balance.....	£116,862	£122,883	£88,565	N/A
Weighted Average Interest Rate	4.91%	4.87%	5.20%	N/A
Weighted Average Stabilised Margin*	4.36%	4.32%	4.65%	N/A
Weighted Average Term to Maturity (Years)	15	15	15	N/A
Weighted Average Current Indexed LTV (LandRegistry Index).....	77.39%	78.03%	73.19%	N/A
BBR	0.55%	0.63%	0.00%	N/A
SVR	99.09%	99.17%	98.59%	N/A
3m Libor	0.36%	0.20%	1.41%	N/A
Self-Certified	75.56%	80.62%	42.53%	N/A
Self-Employed	52.02%	53.69%	41.15%	N/A
Buy to Let.....	5.54%	5.97%	2.73%	N/A
Weighted Average Origination Date.....	Jul-07	Jul-07	Jun-07	N/A
Bankruptcy/IVA	1.03%	0.94%	1.68%	N/A
Largest Loan Balance	£904,544	£904,544	£646,113	N/A

* Assumes Libor of 0.55%

Table 2: Distribution of Loans by Loan to Value (Original Loan to Value)

Original LTV	No. of Loans	% of Loans	Original Balance	% of Original Balance
<=10.00%	12	0.34%	192,603	0.04%
>10.00% <=20.00%	37	1.04%	1,151,667	0.26%
>20.00% <=30.00%	83	2.34%	3,637,090	0.82%
>30.00% <=40.00%	125	3.52%	8,200,419	1.86%
>40.00% <=50.00%	219	6.17%	16,830,688	3.81%
>50.00% <=60.00%	366	10.31%	34,224,385	7.75%
>60.00% <=70.00%	479	13.49%	53,415,985	12.10%
>70.00% <=80.00%	483	13.60%	62,530,515	14.16%
>80.00% <=90.00%	930	26.19%	138,983,844	31.48%
>90.00% <=100.00%	817	23.01%	122,282,889	27.70%
>100.00%	0	0.00%	0	0.00%
Total	3,551	100.00%	441,450,085	100.00%

Weighted Average 77.54%
 Minimum 4.64%
 Maximum 96.43%

Table 3: Distribution of Loans by Loan to Value (Current Loan to Value)

Current LTV	No. of Loans	% of Loans	Original Balance	% of Original Balance
<=10.00%	70	1.97%	600,314	0.14%
>10.00% <=20.00%	98	2.76%	2,549,095	0.61%
>20.00% <=30.00%	136	3.83%	5,667,841	1.37%
>30.00% <=40.00%	195	5.49%	11,594,161	2.79%
>40.00% <=50.00%	307	8.65%	21,991,935	5.30%
>50.00% <=60.00%	378	10.64%	33,922,154	8.17%
>60.00% <=70.00%	393	11.07%	45,651,236	11.00%
>70.00% <=80.00%	597	16.81%	74,977,680	18.07%
>80.00% <=90.00%	697	19.63%	109,798,538	26.46%
>90.00% <=100.00%	663	18.67%	105,967,802	25.54%
>100.00%	17	0.48%	2,255,766	0.54%
Total	3,551	100.00%	414,976,525	100.00%

Weighted Average 75.74%
 Minimum 0.22%
 Maximum 119.14%

Table 4: Distribution of Loans by Current Balance

Current Balance	No. of Loans	% of Loans	Original Balance	% of Original Balance
<=25,000	165	4.65%	2,239,704	0.54%
>25,000 <=50,000	375	10.56%	14,464,003	3.49%
>50,000 <=100,000	1,222	34.41%	91,097,944	21.95%
>100,000 <=150,000	857	24.13%	105,948,233	25.53%
>150,000 <=200,000	467	13.15%	80,481,139	19.39%
>200,000 <=250,000	281	7.91%	61,907,477	14.92%
>250,000 <=500,000	177	4.98%	54,477,019	13.13%
>500,000 <=750,000	6	0.17%	3,456,462	0.83%
>750,000 <=1,000,000	1	0.03%	904,544	0.22%
>1,000,000	0	0.00%	0	0.00%
Total	3,551	100.00%	414,976,525	100.00%

Average 116,862
 Minimum 291
 Maximum 904,544

Table 5: Distribution of Loans by CCJs

CCJs by Original LTV	No. of Loans	% of Total	No. of Loans CCJ 0	No. of Loans CCJ 0% of Total	No. of Loans CCJ 1	No. of Loans CCJ 1% of Total	No. of Loans CCJ >1	No. of Loans CCJ >1 % of Total
<=10.00%	12	0.34%	10	0.28%	1	0.03%	1	0.03%
>10.00% <=20.00%	37	1.04%	34	0.96%	2	0.06%	1	0.03%
>20.00% <=30.00%	83	2.34%	65	1.83%	13	0.37%	5	0.14%
>30.00% <=40.00%	125	3.52%	103	2.90%	16	0.45%	6	0.17%
>40.00% <=50.00%	219	6.17%	173	4.87%	22	0.62%	24	0.68%
>50.00% <=60.00%	366	10.31%	290	8.17%	45	1.27%	31	0.87%
>60.00% <=70.00%	479	13.49%	349	9.83%	83	2.34%	47	1.32%
>70.00% <=80.00%	483	13.60%	381	10.73%	63	1.77%	39	1.10%
>80.00% <=90.00%	930	26.19%	709	19.97%	135	3.80%	86	2.42%
>90.00% <=100.00%	817	23.01%	685	19.29%	83	2.34%	49	1.38%
>100.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	3,551	100.00%	2,799	78.82%	463	13.04%	289	8.14%

Weighted Average 77.54%
 Minimum 4.64%
 Maximum 96.43%

Table 6: Distribution of Loans by Remaining Time to Maturity

Remaining Time to Maturity (Years)	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=5	307	8.65%	25,823,177	6.22%
>5 <=10	458	12.90%	43,252,444	10.42%
>10 <=15	821	23.12%	94,664,609	22.81%
>15 <=20	1,599	45.03%	210,524,244	50.73%
>20 <=25	366	10.31%	40,712,050	9.81%
>25 <=30	0	0.00%	0	0.00%
Total	3,551	100.00%	414,976,525	100.00%

Weighted Average 15
 Minimum 0
 Maximum 23

Table 7: Distribution of Loans by Seasoning

Seasoning	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=12	0	0.00%	0	0.00%
>12 <=24	0	0.00%	0	0.00%
>24 <=36	0	0.00%	0	0.00%
>36 <=48	0	0.00%	0	0.00%
>48 <=60	5	0.14%	665,160	0.16%
>60 <=72	6	0.17%	599,335	0.14%
>72 <=84	91	2.56%	8,059,622	1.94%
>84 <=96	3,329	93.75%	396,642,996	95.58%
>96	120	3.38%	9,009,412	2.17%
Total	3,551	100.00%	414,976,525	100.00%

Weighted Average 89
 Minimum 60
 Maximum 225

Table 8: Distribution of Loans by Repayment Method

Repayment Method	No. of Loans	% of Loans	Current Balance	% of Current Balance
Interest Only	2,177	61.31%	313,377,275	75.52%
Repayment.....	1,313	36.98%	94,940,511	22.88%
Part & Part.....	61	1.72%	6,658,739	1.60%
Total	3,551	100.00%	414,976,525	100.00%

Table 9: Distribution of Loans by Rate Type

Rate Type	No. of Loans	% of Loans	Current Balance	% of Current Balance
Floating.....	3,551	100.00%	414,976,525	100.00%
Fixed.....	0	0.00%	0	0.00%
Total.....	3,551	100.00%	414,976,525	100.00%

Table 10: Distribution of Loans by Interest Product Type

Interest Product Type	No. of Loans	% of Loans	Current Balance	% of Current Balance
3mth Libor.....	26	0.73%	1,484,731	0.36%
BBR.....	14	0.39%	2,275,475	0.55%
SVR.....	3,511	98.87%	411,216,319	99.09%
Total.....	3,551	100.00%	414,976,525	100.00%

Table 11: Distribution of Loans by Fixed Rate Reversion

Fixed Rate Reversion Year	No. of Loans	% of Loans	Current Balance	% of Current Balance
Floating.....	3,551	100.00%	414,976,525	100.00%
2015.....	0	0.00%	0	0.00%
2016.....	0	0.00%	0	0.00%
2017.....	0	0.00%	0	0.00%
Total.....	3,551	100.00%	414,976,525	100.00%

Table 12: Distribution of Loans by Interest Rate

Interest Rate	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=3.00%	21	0.59%	2,651,245	0.64%
>3.00% <=3.50%	7	0.20%	948,557	0.23%
>3.50% <=4.00%	262	7.38%	20,527,496	4.95%
>4.00% <=4.50%	923	25.99%	86,143,293	20.76%
>4.50% <=5.00%	1,266	35.65%	177,458,117	42.76%
>5.00% <=5.50%	337	9.49%	43,837,669	10.56%
>5.50% <=6.00%	359	10.11%	43,195,666	10.41%
>6.00% <=6.50%	167	4.70%	18,398,869	4.43%
>6.50% <=7.00%	140	3.94%	15,020,550	3.62%
>7.00% <=7.50%	39	1.10%	4,377,510	1.05%
>7.50%	30	0.84%	2,417,553	0.58%
Total	3,551	100.00%	414,976,525	100.00%

Weighted Average 4.91%
 Minimum 2.25%
 Maximum 9.55%

Table 13: Distribution of Loans by Stabilised Margin

Stabilised Margin*	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=3.00%	28	0.79%	3,599,802	0.87%
>3.00% <=3.50%	626	17.63%	52,650,456	12.69%
>3.50% <=4.00%	633	17.83%	64,266,253	15.49%
>4.00% <=4.50%	1,265	35.62%	176,980,925	42.65%
>4.50% <=5.00%	307	8.65%	38,293,735	9.23%
>5.00% <=5.50%	362	10.19%	42,082,992	10.14%
>5.50% <=6.00%	157	4.42%	19,202,967	4.63%
>6.00% <=6.50%	115	3.24%	12,716,119	3.06%
>6.50% <=7.00%	36	1.01%	3,334,894	0.80%
>7.00% <=7.50%	18	0.51%	1,492,755	0.36%
>7.50%	4	0.11%	355,627	0.09%
Total	3,551	100.00%	414,976,525	100.00%
* Assumes Libor of 0.55%				
Weighted Average 4.36%				
Minimum 1.70%				
Maximum 9.00%				

Table 14: Distribution of Loans by Arrears

Arrears	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=1	3,371	94.93%	394,468,434	95.06%
>1 <=2	122	3.44%	13,522,289	3.26%
>2 <=3	35	0.99%	4,201,400	1.01%
>3 <=4	10	0.28%	1,218,495	0.29%
>4 <=5	7	0.20%	869,347	0.21%
>5 <=6	2	0.06%	177,317	0.04%
>6	4	0.11%	519,243	0.13%
Total	3,551	100.00%	414,976,525	100.00%
Weighted Average 0.1				
Minimum 0.0				
Maximum 7.0				

Table 15: Distribution of Loans by Tenure by Original Loan to Value

Tenure by Original LTV	No. of Loans	% of Total	No. of Loans Freehold	No. of Loans Freehold % of Total	No. of Loans Freehold	No. of Loans Freehold % of Total	No. of Loans Leasehold	No. of Loans Leasehold % of Total	No. of Loans Other	No. of Loans Other % of Total
<=10.00%	12	0.34%	1	0.03%	9	0.25%	2	0.06%	0	0.00%
>10.00% <=20.00%	37	1.04%	5	0.14%	30	0.84%	2	0.06%	0	0.00%
>20.00% <=30.00%	83	2.34%	4	0.11%	65	1.83%	13	0.37%	1	0.03%
>30.00% <=40.00%	125	3.52%	7	0.20%	102	2.87%	16	0.45%	0	0.00%
>40.00% <=50.00%	219	6.17%	15	0.42%	181	5.10%	23	0.65%	0	0.00%
>50.00% <=60.00%	366	10.31%	25	0.70%	311	8.76%	30	0.84%	0	0.00%
>60.00% <=70.00%	479	13.49%	33	0.93%	386	10.87%	59	1.66%	1	0.03%
>70.00% <=80.00%	483	13.60%	42	1.18%	394	11.10%	46	1.30%	1	0.03%
>80.00% <=90.00%	930	26.19%	80	2.25%	738	20.78%	112	3.15%	0	0.00%
>90.00% <=100.00%	817	23.01%	39	1.10%	663	18.67%	115	3.24%	0	0.00%
>100.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	3,551	100.00%	251	7.07%	2,879	81.08%	418	11.77%	3	0.08%
Weighted Average	77.54%									
Minimum	4.64%									
Maximum	96.43%									

Table 16: Distribution of Loans by Loan Purpose

Loan Purpose	No. of Loans	% of Loans	Current Balance	% of Current Balance
Purchase.....	1,461	41.14%	200,386,781	48.29%
Remortgage.....	2,090	58.86%	214,589,743	51.71%
Debt Consolidation.....	0	0.00%	0	0.00%
Total.....	3,551	100.00%	414,976,525	100.00%

Table 17: Distribution of Loans by Property Type

Property Type	No. of Loans	% of Loans	Current Balance	% of Current Balance
House, detached or semi-detached.....	1,559	43.90%	199,675,363	48.12%
Flat/Apartment.....	269	7.58%	31,715,798	7.64%
Bungalow.....	125	3.52%	15,347,051	3.70%
Terraced House.....	1,591	44.80%	167,913,442	40.46%
Other.....	7	0.20%	324,870	0.08%
Total.....	3,551	100.00%	414,976,525	100.00%

Table 18: Distribution of Loans by Region

Region	No. of Loans	% of Loans	Current Balance	% of Current Balance
East Anglia	104	2.93%	11,373,280	2.74%
East Midlands	210	5.91%	18,439,071	4.44%
Greater London.....	515	14.50%	100,584,594	24.24%
North.....	233	6.56%	18,870,151	4.55%
North West.....	561	15.80%	51,408,177	12.39%
Northern Ireland	0	0.00%	0	0.00%
South East.....	520	14.64%	77,467,320	18.67%
Scotland.....	273	7.69%	21,844,385	5.26%
South West.....	232	6.53%	30,221,339	7.28%
Wales.....	199	5.60%	16,699,944	4.02%
West Midlands.....	352	9.91%	36,965,399	8.91%
Yorks and Humber.....	352	9.91%	31,102,862	7.50%
Total.....	3,551	100.00%	414,976,525	100.00%

Table 19: Distribution of Loans by Originator

Originator	No. of Loans	% of Loans	Current Balance	% of Current Balance
KEN.....	3	0.08%	321,222	0.08%
KML.....	2,827	79.61%	351,213,652	84.63%
MPL.....	623	17.54%	55,175,801	13.30%
TML.....	98	2.76%	8,265,849	1.99%
Total.....	3,551	100.00%	414,976,525	100.00%

LOANS ORIGINATED POST 2010

Table 1: Summary

Summary Characteristics	Total	Pool 1	Pool 2	Pool 3
Current Outstanding Balance.....	£98,315,933	N/A	N/A	£98,315,933
No. of Loans	718	N/A	N/A	718
Weighted Average Original LTV	73.99%	N/A	N/A	73.99%
Average Current Balance.....	£136,930	N/A	N/A	£136,930
Weighted Average Interest Rate	4.47%	N/A	N/A	4.47%
Weighted Average Stabilised Margin*	4.39%	N/A	N/A	4.39%
Weighted Average Term to Maturity (Years).....	20	N/A	N/A	20
Weighted Average Current Indexed LTV (LandRegistry Index)	66.42%	N/A	N/A	66.42%
BBR.....	0.25%	N/A	N/A	0.25%
SVR.....	0.00%	N/A	N/A	0.00%
3m Libor.....	99.75%	N/A	N/A	99.75%
Self-Certified.....	0.00%	N/A	N/A	0.00%
Self-Employed.....	43.18%	N/A	N/A	43.18%
Buy to Let.....	47.70%	N/A	N/A	47.70%
Weighted Average Origination Date.....	Jun-13	N/A	N/A	Jun-13
Bankruptcy/IVA	0.00%	N/A	N/A	0.00%
Largest Loan Balance	£730,441	N/A	N/A	£730,441

* Assumes Libor of 0.55%

Table 2: Distribution of Loans by Loan to Value (Original Loan to Value)

Original LTV	No. of Loans	% of Loans	Original Balance	% of Original Balance
<=10.00%	0	0.00%	0	0.00%
>10.00% <=20.00%	5	0.70%	346,496	0.35%
>20.00% <=30.00%	7	0.97%	475,878	0.48%
>30.00% <=40.00%	21	2.92%	1,777,442	1.77%
>40.00% <=50.00%	18	2.51%	2,271,923	2.27%
>50.00% <=60.00%	38	5.29%	4,778,055	4.77%
>60.00% <=70.00%	102	14.21%	15,988,106	15.96%
>70.00% <=80.00%	273	38.02%	39,616,668	39.55%
>80.00% <=90.00%	252	35.10%	34,665,080	34.61%
>90.00% <=100.00%	2	0.28%	242,439	0.24%
>100.00%	0	0.00%	0	0.00%
Total	718	100.00%	100,162,086	100.00%
Weighted Average	73.99%			
Minimum	12.83%			
Maximum	90.77%			

Table 3: Distribution of Loans by Loan to Value (Current Loan to Value)

Current LTV	No. of Loans	% of Loans	Original Balance	% of Original Balance
<=10.00%	0	0.00%	0	0.00%
>10.00% <=20.00%	5	0.70%	337,489	0.34%
>20.00% <=30.00%	10	1.39%	571,951	0.58%
>30.00% <=40.00%	20	2.79%	1,768,327	1.80%
>40.00% <=50.00%	19	2.65%	2,265,255	2.30%
>50.00% <=60.00%	52	7.24%	6,103,433	6.21%
>60.00% <=70.00%	101	14.07%	16,312,423	16.59%
>70.00% <=80.00%	318	44.29%	45,059,247	45.83%
>80.00% <=90.00%	193	26.88%	25,897,809	26.34%
>90.00% <=100.00%	0	0.00%	0	0.00%
>100.00%	0	0.00%	0	0.00%
Total	718	100.00%	98,315,933	100.00%
Weighted Average	72.78%			
Minimum	12.84%			
Maximum	87.79%			

Table 4: Distribution of Loans by Current Balance

Current Balance	No. of Loans	% of Loans	Original Balance	% of Original Balance
<=25,000	1	0.14%	24,879	0.03%
>25,000 <=50,000	9	1.25%	331,768	0.34%
>50,000 <=100,000	262	36.49%	21,345,334	21.71%
>100,000 <=150,000	238	33.15%	29,139,715	29.64%
>150,000 <=200,000	94	13.09%	16,130,260	16.41%
>200,000 <=250,000	60	8.36%	13,331,722	13.56%
>250,000 <=500,000	52	7.24%	16,691,372	16.98%
>500,000 <=750,000	2	0.28%	1,320,882	1.34%
>750,000 <=1,000,000	0	0.00%	0	0.00%
>1,000,000	0	0.00%	0	0.00%
Total	718	100.00%	98,315,933	100.00%

Average 136,930
 Minimum 24,879
 Maximum 730,441

Table 5: Distribution of Loans by CCJs

CCJs by Original LTV	No. of Loans	% of Total	No. of Loans CCJ 0	No. of Loans CCJ 0 % of Total	No. of Loans CCJ 1	No. of Loans CCJ 1 % of Total	No. of Loans CCJ >1	No. of Loans CCJ >1 % of Total
<=10.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
>10.00% <=20.00%	5	0.70%	2	0.28%	2	0.28%	1	0.14%
>20.00% <=30.00%	7	0.97%	0	0.00%	4	0.56%	3	0.42%
>30.00% <=40.00%	21	2.92%	7	0.97%	13	1.81%	1	0.14%
>40.00% <=50.00%	18	2.51%	10	1.39%	6	0.84%	2	0.28%
>50.00% <=60.00%	38	5.29%	16	2.23%	22	3.06%	0	0.00%
>60.00% <=70.00%	102	14.21%	55	7.66%	41	5.71%	6	0.84%
>70.00% <=80.00%	273	38.02%	190	26.46%	61	8.50%	22	3.06%
>80.00% <=90.00%	252	35.10%	138	19.22%	95	13.23%	19	2.65%
>90.00% <=100.00%	2	0.28%	2	0.28%	0	0.00%	0	0.00%
>100.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	718	100.00%	420	58.50%	244	33.98%	54	7.52%

Weighted Average 73.99%
 Minimum 12.83%
 Maximum 90.77%

Table 6: Distribution of Loans by Remaining time to maturity

Remaining Time to Maturity (Years)	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=5	10	1.39%	1,093,713	1.11%
>5 <=10	55	7.66%	5,298,728	5.39%
>10 <=15	103	14.35%	12,621,029	12.84%
>15 <=20	187	26.04%	25,357,559	25.79%
>20 <=25	232	32.31%	33,860,541	34.44%
>25 <=30	131	18.25%	20,084,363	20.43%
Total	718	100.00%	98,315,933	100.00%
Weighted Average	20			
Minimum	4			
Maximum	29			

Table 7: Distribution of Loans by Seasoning

Seasoning	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=12	217	30.22%	30,104,824	30.62%
>12 <=24	345	48.05%	48,915,308	49.75%
>24 <=36	80	11.14%	10,259,431	10.44%
>36 <=48	71	9.89%	8,436,364	8.58%
>48 <=60	5	0.70%	600,007	0.61%
>60 <=72	0	0.00%	0	0.00%
>72 <=84	0	0.00%	0	0.00%
>84 <=96	0	0.00%	0	0.00%
>96	0	0.00%	0	0.00%
Total	718	100.00%	98,315,933	100.00%
Weighted Average	18			
Minimum	7			
Maximum	52			

Table 8: Distribution of Loans by Repayment Method

Repayment Method	No. of Loans	% of Loans	Current Balance	% of Current Balance
Interest Only	345	48.05%	47,391,140	48.20%
Repayment.....	365	50.84%	49,100,602	49.94%
Part & Part.....	8	1.11%	1,824,191	1.86%
Total	718	100.00%	98,315,933	100.00%

Table 9: Distribution of Loans by Rate Type

Rate Type	No. of Loans	% of Loans	Current Balance	% of Current Balance
Floating.....	128	17.83%	16,238,182	16.52%
Fixed.....	590	82.17%	82,077,752	83.48%
Total.....	718	100.00%	98,315,933	100.00%

Table 10: Distribution of Loans by Interest Product Type

Interest Product Type	No. of Loans	% of Loans	Current Balance	% of Current Balance
3mth Libor.....	717	99.86%	98,067,697	99.75%
BBR.....	1	0.14%	248,236	0.25%
SVR.....	0	0.00%	0	0.00%
Total.....	718	100.00%	98,315,933	100.00%

Table 11: Distribution of Loans by Fixed Rate Reversion

Fixed Rate Reversion Year	No. of Loans	% of Loans	Current Balance	% of Current Balance
Floating.....	128	17.83%	16,238,182	16.52%
2015.....	430	59.89%	60,883,604	61.93%
2016.....	144	20.06%	19,190,697	19.52%
2017.....	16	2.23%	2,003,451	2.04%
Total.....	718	100.00%	98,315,933	100.00%

Table 12: Distribution of Loans by Interest Rate

Interest Rate	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=3.00%	2	0.28%	467,761	0.48%
>3.00% <=3.50%	92	12.81%	12,083,996	12.29%
>3.50% <=4.00%	103	14.35%	14,250,975	14.50%
>4.00% <=4.50%	118	16.43%	15,879,037	16.15%
>4.50% <=5.00%	283	39.42%	41,927,332	42.65%
>5.00% <=5.50%	77	10.72%	9,041,062	9.20%
>5.50% <=6.00%	43	5.99%	4,665,771	4.75%
>6.00% <=6.50%	0	0.00%	0	0.00%
>6.50% <=7.00%	0	0.00%	0	0.00%
>7.00% <=7.50%	0	0.00%	0	0.00%
>7.50%	0	0.00%	0	0.00%
Total	718	100.00%	98,315,933	100.00%

Weighted Average 4.47%
 Minimum 2.49%
 Maximum 5.74%

Table 13: Distribution of Loans by Stabilised Margin

Stabilised Margin*	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=3.00%	2	0.28%	467,761	0.48%
>3.00% <=3.50%	0	0.00%	0	0.00%
>3.50% <=4.00%	0	0.00%	0	0.00%
>4.00% <=4.50%	388	54.04%	53,832,935	54.76%
>4.50% <=5.00%	308	42.90%	41,610,009	42.32%
>5.00% <=5.50%	20	2.79%	2,405,229	2.45%
>5.50% <=6.00%	0	0.00%	0	0.00%
>6.00% <=6.50%	0	0.00%	0	0.00%
>6.50% <=7.00%	0	0.00%	0	0.00%
>7.00% <=7.50%	0	0.00%	0	0.00%
>7.50%	0	0.00%	0	0.00%
Total	718	100.00%	98,315,933	100.00%

* Assumes Libor of 0.55%
 Weighted Average 4.39%
 Minimum 1.94%
 Maximum 5.15%

Table 14: Distribution of Loans by Arrears

Arrears	No. of Loans	% of Loans	Current Balance	% of Current Balance
<=1	698	97.21%	95,715,762	97.36%
>1 <=2	11	1.53%	1,485,025	1.51%
>2 <=3	8	1.11%	893,056	0.91%
>3 <=4	1	0.14%	222,090	0.23%
>4 <=5	0	0.00%	0	0.00%
>5 <=6	0	0.00%	0	0.00%
>6	0	0.00%	0	0.00%
Total	718	100.00%	98,315,933	100.00%

Weighted Average 0.0
 Minimum 0.0
 Maximum 4.0

Table 15: Distribution of Loans by Tenure by Original Loan to Value

Tenure by Original LTV	No. of Loans	% of Total	No. of Loans Feuhold	No. of Loans Feuhold % of Total	No. of Loans Freehold	No. of Loans Freehold % of Total	No. of Loans Leasehold	No. of Loans Leasehold % of Total	No. of Loans Other	No. of Loans Other % of Total
<=10.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
>10.00% <=20.00%	5	0.70%	0	0.00%	5	0.70%	0	0.00%	0	0.00%
>20.00% <=30.00%	7	0.97%	0	0.00%	7	0.97%	0	0.00%	0	0.00%
>30.00% <=40.00%	21	2.92%	0	0.00%	19	2.65%	2	0.28%	0	0.00%
>40.00% <=50.00%	18	2.51%	0	0.00%	16	2.23%	2	0.28%	0	0.00%
>50.00% <=60.00%	38	5.29%	0	0.00%	35	4.87%	3	0.42%	0	0.00%
>60.00% <=70.00%	102	14.21%	0	0.00%	86	11.98%	16	2.23%	0	0.00%
>70.00% <=80.00%	273	38.02%	0	0.00%	196	27.30%	77	10.72%	0	0.00%
>80.00% <=90.00%	252	35.10%	0	0.00%	214	29.81%	38	5.29%	0	0.00%
>90.00% <=100.00%	2	0.28%	0	0.00%	2	0.28%	0	0.00%	0	0.00%
>100.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	718	100.00%	0	0.00%	580	80.78%	138	19.22%	0	0.00%

Weighted Average 73.99%

Minimum 12.83%

Maximum 90.77%

Table 16: Distribution of Loans by Loan Purpose

Loan Purpose	No. of Loans	% of Loans	Current Balance	% of Current Balance
Purchase.....	478	66.57%	67,107,441	68.26%
Remortgage.....	219	30.50%	28,958,912	29.45%
Debt Consolidation.....	21	2.92%	2,249,580	2.29%
Total.....	718	100.00	98,315,933	100.00

Table 17: Distribution of Loans by Property Type

Property Type	No. of Loans	% of Loans	Current Balance	% of Current Balance
House, detached or semi-detached.....	334	46.52%	48,795,584	49.63%
Flat/Apartment.....	102	14.21%	16,225,014	16.50%
Bungalow.....	22	3.06%	2,626,134	2.67%
Terraced House.....	260	36.21%	30,669,202	31.19%
Other.....	0	0.00%	0	0.00%
Total.....	718	100.00%	98,315,933	100.00%

Table 18: Distribution of Loans by Region

Region	No. of Loans	% of Loans	Current Balance	% of Current Balance
East Anglia	31	4.32%	3,725,363	3.79%
East Midlands	59	8.22%	6,918,908	7.04%
Greater London.....	104	14.48%	22,305,929	22.69%
North.....	28	3.90%	2,614,286	2.66%
North West.....	88	12.26%	10,246,542	10.42%
Northern Ireland	0	0.00%	0	0.00%
South East.....	175	24.37%	26,196,453	26.65%
Scotland	0	0.00%	0	0.00%
South West.....	81	11.28%	9,933,194	10.10%
Wales	43	5.99%	4,851,421	4.93%
West Midlands.....	46	6.41%	4,715,551	4.80%
Yorks and Humber.....	63	8.77%	6,808,287	6.92%
Total.....	718	100.00%	98,315,933	100.00%

Table 19: Distribution of Loans by Originator

Originator	No. of Loans	% of Loans	Current Balance	% of Current Balance
KEN.....	0	0.00%	0	0.00%
KML	718	100.00%	98,315,933	100.00%
MPL.....	0	0.00%	0	0.00%
TML.....	0	0.00%	0	0.00%
Total.....	718	100.00%	98,315,933	100.00%

Mortgages on Let Properties

536 of the Loans in the Provisional Completion Mortgage Pool (representing an aggregate Balance of approximately £69,890,358) are secured by Mortgages on non-owner occupied Properties. These Loans represent approximately 13.62% of the value of the Provisional Completion Mortgage Pool.

The Seller to retain accrued but unpaid interest

Under the terms of the Kayl/Issuer Mortgage Sale Agreement the Issuer shall not be entitled to receive any Accrued Interest and any payments received by the Issuer in respect of Accrued Interest will be for the account of the Seller for so long as the relevant Borrower is not in arrears with respect to any amounts due from the Issue Date. As between the Seller and the Issuer, the Seller is not entitled to receive Accrued Interest from any Borrower if amounts due to the Issuer from that Borrower are in arrears with respect to any amounts due and payable from the Issue Date.

TITLE TO THE MORTGAGE POOL

The Loans and the Collateral Security will be sold by the Seller to the Issuer. The sale of the Loans and their related English Mortgages will take effect in equity only and (save as mentioned below), in the case of their related Scottish Mortgages, by means of a Scottish Declaration of Trust and as at the Issue Date, legal title to all Loans and Collateral Security is either held by the relevant Legal Title-Holder or is in the process of being registered in its name. The Issuer will grant a first fixed equitable charge in favour of the Trustee over its interests in the Loans and the Collateral Security (or in the case of Scottish Mortgages, a first ranking assignation in security of the beneficial interest held by the Issuer in the Scottish Loans, the Scottish Mortgages and the related Collateral Security).

The Mortgage Administrator is required under the terms of the Mortgage Administration Agreement to ensure the safe custody of title deeds. The Mortgage Administrator will have custody of title deeds in respect of the Loans and the Collateral Security as agent of the Issuer and, following any enforcement action by the Trustee against the Issuer, the Trustee.

Save as mentioned below, neither the Issuer nor the Trustee will affect any registration at the Land Registry or any registration or recording in the Registers of Scotland to protect the sale of the Loans and the Collateral Security by the Seller to the Issuer or the charge of them by the Issuer in favour of the Trustee nor, save as mentioned below, will they be entitled to obtain possession of the title deeds to the Properties or the Loans and their related Mortgages.

Save as mentioned below, notice of the sale to the Issuer and the equitable charge (or, in the case of Scottish Mortgages, the assignation in security) in favour of the Trustee will not be given to the Borrowers.

Under the Kayl/Issuer Mortgage Sale Agreement and the Deed of Charge, the Issuer (with the consent of the Trustee) or the Trustee will each be entitled to effect such registrations, recordings and give such notices as it considers necessary to protect and perfect the interests respectively of the Issuer (as purchaser) and the Trustee (as chargee) in the Loans and the Collateral Security, *inter alia*, where (i) in the case of an individual Loan only it is obliged to do so by law, by court order or by law or by a mandatory requirement of any regulatory authority, (ii) an Enforcement Notice by the Trustee to the Issuer under Condition 9 (*Events of Default*) of the Notes has been given, (iii) the Trustee considers that the Charged Property or any part thereof is in jeopardy (including the possible insolvency of any Legal Title-Holder) or (iv) any action is taken for the winding-up, dissolution, administration or reorganisation of a Legal Title-Holder. These rights are supported by irrevocable powers of attorney given by the Issuer and the Legal Title-Holders in favour of the Trustee.

The effect of (i) not giving notice to the Borrowers of the sale of the relevant Loans and their Collateral Security to the Issuer and the charging of the Issuer's interest in the Loans and their Collateral Security to the Trustee and (ii) the charge of the Issuer's rights thereto in favour of the Trustee pursuant to the Deed of Charge taking effect in equity (or, in the case of Scottish Mortgages, in respect of the Issuer's beneficial interest therein) only, is that the rights of the Issuer and the Trustee may be, or may become, subject to equities as well as to the interests of third parties who perfect a legal interest or title prior to the Issuer or the Trustee acquiring and perfecting a legal interest or title (such as, in the case of English Mortgages over unregistered land, a third party acquiring a legal interest in the relevant Mortgage without notice of the Issuer's or the Trustee's interests or, in the case of Mortgages over registered land (whether at the Land Registry or the Registers of Scotland), a third party acquiring a legal interest or title by registration or recording prior to the registration or recording of the Issuer's or the Trustee's interests).

The risk of such equities and other interests leading to third party claims obtaining priority to the interests of the Issuer or the Trustee in the Loans and the Collateral Security is likely to be limited to circumstances arising from a breach by the Seller, the Legal Title-Holders or the Issuer of its or their contractual or other obligations or fraud or mistake on the part of the Seller, the Legal Title-Holders or the Issuer or their respective officers, employees or agents (if any).

SALE OF THE MORTGAGE POOL

On the Issue Date, the Seller will agree to sell its interest in the Completion Mortgage Pool to the Issuer for (i) an immediate cash payment of £507,211,965.10 payable on the Issue Date and (ii) the R Notes. This amount may be settled by way of set-off in the event the Seller agrees to subscribe for some or all of the Notes.

Warranties and Repurchase

The Kayl/Issuer Mortgage Sale Agreement contains representations and warranties given by the Legal Title-Holders and the Seller, in relation to the Mortgage Pool on the Issue Date. 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 or the Trustee, each of whom is relying upon the representations and warranties in the Kayl/Issuer Mortgage Sale Agreement.

If there is an unremedied or unremediable breach of any of these representations and warranties which could have a material adverse effect on the value of any Loan and its Collateral Security (other than where such breach was disclosed at the point of sale to the Issuer), then the Seller or, failing whom, the Guarantor, is required to repurchase, or procure the repurchase by one of its affiliates of, the relevant Loan and its Collateral Security for a consideration in cash equal to the Balance of the relevant Loan plus accrued interest and all other amounts due under such Loan less interest paid in advance to the Issuer (which the Issuer shall be entitled to retain) or at the option of the Seller or, failing whom, the Guarantor, substitute an alternative mortgage loan of an appropriate value in replacement of the Loan where the breach applies. Performance of the obligation to repurchase will be in satisfaction of all liabilities of the Legal Title-Holders, the Seller and the Guarantor in respect thereof.

The representations and warranties referred to will include, *inter alia*, statements to the following effect:

- (a) The particulars of each Loan and its related Mortgage set out in Annexure A to the Kayl/Issuer Mortgage Sale Agreement are complete, true and accurate in all material respects. Immediately prior to the Issue Date, Kayl was the absolute beneficial owner of all of the Loans and their related Mortgages and Mortgage Rights and such other related property and entitled to call for the transfer of legal title of such Loans from the relevant Legal Title-Holder and the Mortgages and Mortgage Rights and such other property relating thereto to be sold to the Issuer hereunder, and Kayl has not assigned (whether by way of absolute assignment or assignation or by way of security only), transferred, charged, disposed of or dealt with the benefit of any of the Loans or their related Mortgages, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the Kayl/Issuer Mortgage Sale Agreement in any way whatsoever other than pursuant to the Kayl/Issuer Mortgage Sale Agreement and the prior sale of certain mortgages to KMC Berkley Square Limited and except for any security interest which will be released immediately prior to sale. In addition, immediately prior to the Issue Date, the relevant Legal Title-Holder holds or will hold, upon completion of any pending applications for registration or recording of such Legal Title-Holder at the Land Registry or Registers of Scotland (as applicable), legal title to all Loans and related Mortgages and the Mortgage Rights. Immediately prior to the Issue Date, none of the Legal Title-Holders have assigned (whether by way of absolute assignment or assignation or by way of security only), transferred, charged, disposed of or dealt with the benefit of the Loans or their related Mortgages, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the Kayl/Issuer Mortgage Sale Agreement in any way whatsoever other than pursuant to the Kayl/Issuer Mortgage Sale Agreement or charged or assigned pursuant to the Deed of Charge.
- (b) Each Loan and its related Mortgage constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms (except that: (a) enforceability may be limited by (i) bankruptcy or insolvency of the Borrower or other laws relating to enforcement of general applicability affecting the enforcement rights of creditors generally and the court's discretion in relation to equitable remedies (or, in limited circumstances, if the Borrower purchased the property from a bankrupt vendor); (ii) the application of the UTCCR or the CCA (if the CCA is deemed to apply to the Loans); or (iii) fraud; and (b) no warranty is given in relation to any obligation of the Borrower to pay early repayment charges or charges payable in the event of Borrower default) and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by

the relevant Borrower (other than in relation to any repayment charges where repayment takes place following the early repayment charge period) to Kayl or the Legal Title-Holder in first priority and ranking prior to any other charges registered against the relevant Property except in so far as there is a prior ranking statutory charge or standard security (as the case may be) where the relevant Loan is a Right to Buy Loan in respect of which the representation and warranty in paragraph (gg) below is correct, provided that nothing in this paragraph (b) constitutes a representation or a warranty as to the sufficiency of such Property as security for indebtedness secured on it.

- (c) Subject to completion of any registration which may be pending at the Land Registry or of any registration or recording which may be pending at the Registers of Scotland, each Mortgage relating to a Loan constitutes a first legal mortgage or a first ranking standard security (as the case may be) over the relevant Property except in so far as there is a prior ranking statutory charge or standard security (as the case may be) where the relevant Loan is a Right to Buy Loan in respect of which the representation and warranty in paragraph (gg) below is correct.
- (d) At the time of origination of the Loans each Originator took reasonable steps to verify that each Loan was made in accordance with the applicable Lending Criteria in effect at the time of its origination.
- (e) All steps necessary to perfect the Legal Title-Holder's title to each Loan, together with their related Mortgages, were duly taken at the appropriate time or are in the process of being taken with all due diligence.
- (f) No lien or right of set-off or counterclaim has been created or arisen between Kayl or the Legal Title-Holder and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Loan.
- (g) In relation to each English Mortgage relating to a Loan which is not the subject of a Title Insurance Policy:
 - (i) if the Property is not registered the Borrower has a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property or other good freehold state (if freehold) or a term of years absolute (if leasehold) free (save for the Mortgage) from any encumbrance which would affect such title; and
 - (ii) if the Property is registered it has been or is in the course of registration with title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property or possessory title in the case of freehold or leasehold title where (in accordance with the relevant Lending Criteria) such possessory title has been taken into account by the value in the valuation of the Property, and in relation to each Scottish Mortgage relating to a Loan, the Borrower has a valid and marketable heritable or long lease title to the Property free (save for the Mortgage) from any encumbrance which would materially affect such a title.
- (h) In relation to each Mortgage of Property situated in England or Wales relating to a Loan, title to which is registered and which is not subject to a Title Insurance Policy, an application for registration has been delivered to the Land Registry within the priority period conferred by an official search against the relevant title at the Land Registry and in relation to each Mortgage of Property situated in England or Wales title to which is unregistered and which is not subject to a Title Insurance Policy, such Mortgage was completed within the priority period conferred by an official search at the Land Charges Department and, where such unregistered Property is subject to first registration, an application for registration of the Borrower's title and of the Mortgage has been delivered to the Land Registry within two months of the date of the dealing giving rise to first registration in accordance with section 4 of the Land Registration Act 2002 and, in each case, the relevant search did not reveal any matter which would materially adversely affect the mortgagee's interest under the relevant Mortgage. In relation to each Mortgage of Property in Scotland an application has been delivered to the Registers of Scotland for the registration or recording of both the Borrower's title and the Mortgage.

- (i) In relation to each Mortgage of Property relating to a Loan, where registration or recording is pending at the Land Registry or, as applicable, Registers of Scotland, so far as it is aware, there is no caution, notice, inhibition or restriction which would prevent the registration of the Mortgage.
- (j) Each Loan and its related Mortgage has been materially made on the terms of the Standard Documentation referred to in Annexure C of the Kayl/Issuer Mortgage Sale Agreement (so far as applicable) which has not been varied in any material respect since the date of completion of such loan, save as varied as a result of the findings which prompted the FCA Undertaking.
- (k) Interest on each Loan is charged on such Loan in accordance with the provisions of that Loan and its related Mortgage.
- (l) No Loan has a Balance of greater than £1,000,000 on the relevant date of sale to the Issuer.
- (m) No Loan has a final maturity beyond the date falling two years prior to the Final Maturity Date of the A Notes.
- (n) The Originators have procured that since the creation of each Loan full and proper accounts, books and records have been kept showing clearly all transactions, payments, receipts and proceedings relating to that Loan and its related Mortgage and all such accounts, books and records are up to date, accurate and in the possession of the Legal Title-Holder or held to its order.
- (o) None of Kayl nor the Legal Title-Holders have received written notice of any litigation or claim calling into question in any material way its title to any Loan and its related Mortgage or their ability to fully, effectively and promptly enforce the same.
- (p) In respect of any Property which is subject to a second ranking or subsequent mortgage or standard security, the English Mortgage or Scottish Mortgage has first priority for the full amount of the Loan and all costs, fees and expenses relative thereto except in so far as there is a prior ranking statutory charge or standard security (as the case may be) where the relevant Loan is a Right to Buy Loan in respect of which the representation and warranty in paragraph (gg) below is correct, except that no warranty has been given as to the enforceability of fees or prepayment charges.
- (q) Subject to completion of any registration or recording which may be pending at the Land Registry or the Registers of Scotland, all property deeds relating to the Loans and loan files relating to the Loans are held by, or to the order of, the relevant Legal Title-Holder.
- (r) Each Borrower is an individual, and no Borrower is at present an employee of the Legal Title-Holder or Kayl or any related company.
- (s) No Loan or its related Mortgage contains an obligation to make any further advance (other than Borrow-Backs in relation to Flexible Loans).
- (t) All Loans are either Bank Base Rate Mortgages, LIBOR Standard Mortgages, Fixed Rate Mortgages, KVR Standard Mortgages or MVR Standard Mortgages.
- (u) All formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their related Mortgages and the Mortgage Rights to be sold hereunder have been obtained or taken and all Loans and Related Security are freely assignable and no formal approvals, consents or other steps are necessary as at the Issue Date to permit a legal, equitable or beneficial transfer of the Loans and Related Security, save only for the relevant transfer (and in the case of a legal transfer, registration at the relevant registries and notification to the relevant Borrower) itself, and no notification to any Borrower is required to effect any equitable or beneficial transfer of the Loans and Related Security to the Issuer pursuant to the Kayl/Issuer Mortgage Sale Agreement and the Loans and Related Security are not subject to any contractual confidentiality restrictions which may restrict the ability of the Issuer to acquire the same.
- (v) At origination of each Loan, variable direct debit instructions in favour of the Legal Title-Holder or the relevant Originator (or other arrangements acceptable to the Legal Title-Holder to ensure regular payment) were completed in respect thereof and such completed variable direct debit instructions were held by or on behalf of the relevant Legal Title-Holder or the relevant Originator (as applicable).

- (w) The only third party having an interest in the Loans, Mortgages and other rights granted to or held for Kayl and being the subject of the Kayl/Issuer Mortgage Sale Agreement are the Legal Title-Holders in their capacity as bare trustee of the legal title to the Loans and Mortgages held for Kayl.
- (x) To the best of the Legal Title-Holder's knowledge, information and belief, no fraud, misrepresentation or concealment has been perpetrated in respect of a Loan by:
- (i) any person who prepared a valuation of a Property; or
 - (ii) any solicitors who acted for the Legal Title-Holder or the relevant Originator in relation to any Loan; or
 - (iii) any insurance broker or agent in relation to any Insurance Policy; or
 - (iv) any Borrower of any Loan; or
 - (v) any other party within the knowledge of the Legal Title-Holder,
- which would result in any monies owed by any of the Borrowers not being or being unlikely to be repaid in full under the terms of any of the Loans.
- (y) No Loan is currently repayable in a currency other than sterling and the currency of the repayments cannot be changed by the Borrower to a currency other than sterling.
- (z) No Legal Title-Holder has excluded, restricted or waived or agreed to waive any of its rights against any valuer, solicitor or other professional who has provided information, carried out work or given advice in connection with any Loan and the related Mortgage.
- (aa) Except in any case where the related Property is covered by a valid policy of insurance in respect of title (howsoever described) to the Property (a "**Title Insurance Policy**") issued by a provider of such insurance policies with respect to England, Scotland or Wales as the case may be (a "**Title Insurance Provider**"), prior to making each Loan to a Borrower, the relevant Originator instructed or required to be instructed on its behalf solicitors or licensed or qualified conveyancers to carry out in relation to the relevant Property all investigations, searches and other actions that would have been undertaken by a Prudent Mortgage Lender when advancing money in an amount equal to such advance to an individual to be secured on a property of the kind permitted under the Lending Criteria and a report on title was received by or on behalf of it from such solicitors or licensed or qualified conveyancers which either initially or after further investigation revealed no material matter which would cause a Prudent Mortgage Lender to decline such Loan having regard to the Lending Criteria.
- (bb) Prior to making each Loan, the relevant Property was valued by an independent valuer from the panel of valuers from time to time approved by the relevant Legal Title-Holder or the relevant Originator or in accordance with a valuation system provided by a third-party entity for the automated valuation of properties securing mortgage loans (such as the Realtime Valuation System provided by Hometrack Data Systems Limited).
- (cc) Except where a Property relating to a Loan was at completion of the relevant Mortgage (or, where appropriate, in the case of self-build properties, at the date of completion of the relevant property) covered by a Block Buildings Policy or a block buildings policy providing equivalent cover under which the Legal Title-Holder or the relevant Originator was entitled to the benefit as mortgagee, the relevant Legal Title-Holder or the relevant Originator took all reasonable steps to ensure that at the date of completion of each Mortgage the relevant Property was insured under a policy with an insurance company against fire and other commercial risks for an amount not less than the full reinstatement value determined by a valuer approved by the Legal Title-Holder or the relevant Originator and the relevant Legal Title-Holder or the relevant Originator became either the sole or a joint insured or its interest was noted by the insurers or, in the case of leasehold property, is covered by a landlord's buildings insurance policy, with, where possible, the interests of the relevant Originator and the Borrower endorsed or deemed noted thereon (*primo loco* in the case of a Scottish Borrower), in each case with a reputable insurance company agreed to by the relevant Originator against all risks usually covered by a Prudent Mortgage Lender when advancing money on the

security of the property of the same nature to at or around the time the related Loan was completed and neither the relevant Legal Title-Holder nor the relevant Originator has received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy.

- (dd) Each Block Buildings Policy (relating to Properties relating to the Loans) covers all fire and other commercial risks for an amount not less than the full reinstatement value of the Properties covered by that Block Buildings Policy, and each Block Buildings Policy is in full force and effect and all premiums thereon are current at the date of the Kayl/Issuer Mortgage Sale Agreement or, in the case of a Substitute Loan as at the date such Substitute Loan is purchased by the Issuer and none of Kayl nor the relevant Legal Title-Holder are aware of any circumstances giving the insurer thereunder the right to avoid or terminate such policy in so far as it relates to the Properties.
- (ee) In relation to each English Mortgage relating to a Loan, any person who at the date when the Loan was made had attained the age of 18 and who has been identified by the Borrower of such Loan as residing or about to reside in the relevant Property is either named as a joint Borrower or has signed a form of consent declaring that he or she will assert no right to any overriding or other interest by occupation adverse to the mortgagee's rights under the relevant Mortgage, or the Legal Title-Holder holds insurance in respect thereof. In relation to each Scottish Mortgage relating to a Loan originated on its behalf, all necessary MH/CP Documentation has been obtained so as to ensure that neither the relevant Property nor the relevant Mortgage is subject to any right of occupancy or the Legal Title-Holder holds insurance in respect thereof.
- (ff) At the date of origination:
 - (i) as far as the relevant Originator was aware the terms of, and the origination steps taken in respect of, all Loans complied with applicable laws and regulations (including without limitation all requirements of the CCA, UCTA and UTCCR) that were necessary to ensure that the relevant Loans and Mortgages were enforceable and the relevant Borrower was obliged to pay interest and repay principal on the dates specified in the relevant Loans, subject to any reservations or matter disclosed generally as regards non-compliance with any laws and regulations contained within the Legal Opinions; and
 - (ii) the Legal Title-Holder and the relevant Originator had all necessary consents, authorisations, approvals, licences and orders including without limitation all necessary licences under the CCA and FSMA to originate the Loans.
- (gg) Each Right to Buy Insurance is in full force and effect and all premiums thereon are current at the date of the Kayl/Issuer Mortgage Sale Agreement or, in the case of a Substitute Loan as at the date such Substitute Loan is purchased by the Issuer and none of Kayl nor the relevant Legal Title-Holder are aware of any circumstances giving the insurer thereunder the right to avoid or terminate such policy in so far as it relates to such Right to Buy Loan, and in relation to a Loan which is a Right to Buy Loan either:
 - (i) (A) the relevant Originator was at the time of origination of that Loan an approved lending institution within the meaning given to that expression in the Housing Act 1985 or (if applicable) a recognised lending institution within the meaning of Part 3 of the Housing (Scotland) Act 1987 or had adequate title insurance to protect against such risk;
 - (B) the original advance was made to the person exercising the right to buy; and
 - (C) the original advance was made for the purposes of enabling the recipient thereof to purchase the relevant Property, or
 - (i) the Legal Title-Holder has the benefit of Right to Buy Insurance in respect of such Right to Buy Loan.

For the purpose of this paragraph (gg),

“Right to Buy Loan” means a Loan in respect of which the “right to buy” provisions of the Housing Act 1985 or (as applicable) the Housing (Scotland) Act 1987 apply (other than any Loan in respect of which (1) the period during which the statutory charge referred to in section 156 of the Housing Act 1985 would have existed, had the relevant circumstances applied, has expired; or (2) the period during which the seller’s Standard Security in terms of section 72 of the Housing (Scotland) Act 1987 is of effect, has expired), and

“Right to Buy Insurance” means an insurance policy providing insurance cover in respect of amounts advanced under a loan which will not have priority to the statutory charge or standard security arising under the Housing Act 1985 or the Housing (Scotland) Act 1987.

- (hh) Each Title Insurance Policy referred to in paragraph (aa) above is in full force and effect and all premiums thereon due on or before the date this warranty is given have been paid in full and the Legal Title-Holder is not aware of any circumstances giving the Title Insurance Provider the right to avoid or terminate such policy.
- (ii) No Loan is subject to a Retention at the date of the Kayl/Issuer Mortgage Sale Agreement.
- (jj) In relation to any Loan which is the subject of a Regulated Mortgage Contract, as far as Kayl is aware, all requirements of MCOB have been complied with in all material respects in connection with the origination, documentation and administration of such Loan (as applicable).
- (kk) Neither the Legal Title-Holder nor Kayl have received notice of the bankruptcy, sequestration or death of any Borrower.
- (ll) All the title deeds, the deeds constituting the Mortgage and the correspondence file (such as it exists) and microfiche or electronically stored data relating to each of the Loans are held by or to the order of the Seller or have been lodged by, or on behalf of, the Legal Title-Holder at the Land Registry or the Registers of Scotland as appropriate.
- (mm) All the Loans in respect of Properties located in England and Wales are governed by English law and all the Loans in respect of Properties located in Scotland are governed by Scots laws.
- (nn) The Legal Title-Holder has not given express written consent to the grant of a tenancy by a Borrower in circumstances where no Prudent Mortgage Lender at the time such consent was given would give such consent.
- (oo) Each Borrower is a natural person and was aged 18 years or older at the date that he or she executed the relevant Mortgage.
- (pp) Each Property is a residential property.
- (qq) No material legal proceedings by Borrowers are outstanding against the Seller or the Legal Title Holders which would call into question their beneficial or legal title to the Loans.
- (rr) In relation to any leasehold Property, (i) in any case where the Legal Title Holder has received written notice from the relevant landlord that it is or may be taking steps to forfeit or irritate the lease of that Property, the Legal Title-Holder has taken such steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security and Loan and (ii) any requisite consent of the landlord to, or notice of, the creation of the Mortgage has been obtained or given (as applicable).
- (ss) Each Property is located in England, Wales or Scotland.
- (tt) The first payment due has been paid by the relevant Borrower in respect of each Loan, other than those Loans set out in Annexure B of the Kayl/Issuer Mortgage Sale Agreement.
- (uu) No agreement for any Loan is or includes a consumer credit agreement (as defined in section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than sections 137 to 140 of such Act) or any modification or re-enactment thereof or, to the extent that it is so regulated or partly regulated, all the requirements of the Consumer Credit Act 1974 have been met in full.

- (vv) The proposed limitations or exclusions of the liability of the Legal Title-Holder or the relevant originator contained in the loan agreement relating to each Loan are fair and reasonable having regard to the circumstances of the particular Borrower for the purposes of the Unfair Contract Terms Act 1977 and are not “unfair terms” within the meaning of UTCCR, save as otherwise set out in the FCA Undertaking.
- (ww) To the extent that any loan agreement relating to a Loan was entered into after 1 July 1995 between the Legal Title-Holder or the relevant originator and a “consumer” and such loan agreement was not “individually negotiated” with such consumer (as such terms are defined in the UTCCR), none of the terms contained in such loan agreements are unfair terms within the meaning of the UTCCR; no injunction or interdict has been granted by the court pursuant to regulation 8 of the UTCCR which might prevent or restrict the use in a loan agreement of any particular term or the enforcement of any such term; and in carrying out the procedures for enabling Borrowers to enter into loan agreements, the Legal Title-Holder or the relevant originator complied with the UTCCR and, in particular, ensured that each Borrower had a real opportunity to read and understand the terms of the relevant loan agreement before the conclusion of the loan agreement.

CREDIT STRUCTURE

The Notes will not be obligations of the Account Bank, the Collection Account Provider, the Arranger, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Corporate Services Provider, the Trustee, the Security Trustee, the Investment Account Provider, the Mortgage Administrator, the Mortgage Administration Facilitator, the Seller, the Guarantor, the Principal Paying Agent, the Special Servicer, the Manager, the GIC Provider, the Subordinated Lender or anyone other than the Issuer and will not be guaranteed by any such party. None of the Account Bank, the Collection Account Provider, the Arranger, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Corporate Services Provider, the Trustee, the Security Trustee, the Investment Account Provider, the Mortgage Administrator, the Mortgage Administration Facilitator, the Seller, the Guarantor, the Principal Paying Agent, the Special Servicer, the Manager, the GIC Provider, the Subordinated Lender nor anyone other than the Issuer will accept any liability whatsoever in respect of any failure to pay any amount due under the Notes.

As a condition to the issue of the Notes:

- the A Notes are expected to be rated AAA by S&P and Aaa by Moody's;
- the B Notes are expected to be rated AA by S&P and Aa1 by Moody's;
- the C Notes are expected to be rated A by S&P and A2 by Moody's;
- the D Notes are expected to be rated BBB+ by S&P and Baa3 by Moody's; and
- the E Notes are expected to be rated BBB- by S&P and Ba2 by Moody's.

None of the F Notes, the Z Notes, the X Notes or the R Notes will be rated.

The ratings assigned by the Rating Agencies address the likelihood of full and timely payment of interest due to the holders of the Rated Notes on each Interest Payment Date and (b) full payment of principal due to the holders of the Rated Notes by a date that is not later than the Final Maturity Date for the Rated Notes.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, downgrade, qualification, suspension or withdrawal at any time by any of the Rating Agencies. The structure of the credit arrangements may be summarised as follows:

The Notes

The Notes will be issued fully paid on the Issue Date and the proceeds will be used for the purposes described in the section entitled "*Use of Proceeds*".

Issue Price and Redemption of Notes

On the Issue Date, the Issuer will issue:

- (a) the A Notes at an issue price of 100.00% of the principal amount of the A Notes;
- (b) the B Notes at an issue price of 100.00% of the principal amount of the B Notes;
- (c) the C Notes at an issue price of 100.00% of the principal amount of the C Notes;
- (d) the D Notes at an issue price of 100.00% of the principal amount of the D Notes;
- (e) the E Notes at an issue price of 100.00% of the principal amount of the E Notes;
- (f) the F1 Notes at an issue price of 100.00% of the principal amount of the F1 Notes;
- (g) the F2 Notes at an issue price of 100.00% of the principal amount of the F2 Notes;
- (h) the F3 Notes at an issue price of 100.00% of the principal amount of the F3 Notes; and
- (i) the Z Notes at an issue price of 100.00% of the principal amount of the Z Notes.

On the Issue Date, the Issuer will also issue the X1 Notes, the X2 Notes and the R Notes. These will be initially retained by the Seller and its affiliates. See the section entitled “*Retention Requirements and the Retained Interest*”.

Each of the Notes will be redeemed in accordance with Condition 5 (*Redemption*).

Receipts

The Cash/Bond Administrator on behalf of the Issuer will calculate on each Determination Date the Available Revenue Funds of the Issuer for the previous Determination Period (as set out in the Cash/Bond Administration Agreement). The Cash/Bond Administrator will on the next Interest Payment Date apply such Available Revenue Funds on behalf of the Issuer to make payments of interest on the Notes as well as certain amounts under the Pre-Enforcement Revenue Priority of Payments (see Condition 2(c) (*Pre-Enforcement Revenue Priority of Payments*)).

Credit Support for the Notes Provided by “Available Revenue Funds”

The interest rates payable by Borrowers in respect of the Loans vary in respect of different Borrowers and different types of Loans. It is anticipated that, on the Issue Date, the weighted average interest rate payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing and that no extraordinary expenses have been incurred by the Issuer, exceed the amounts payable under items (i) to (xiii) inclusive of the Pre-Enforcement Revenue Priority of Payments by an amount, calculated as a percentage of the principal balance of the Mortgage Pool, which is approximately 2.5%. The actual amount of the excess will vary during the life of the Notes; two of the key factors determining such variations are the level of delinquencies experienced and the weighted average interest rate in each case on the Mortgage Pool. Available Revenue Funds may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency.

To the extent that the amount of Available Revenue Funds standing to the credit of the Revenue Ledger on each Interest Payment Date exceeds the amount required to meet items (i) to (xiii) inclusive of the Pre-Enforcement Revenue Priority of Payments such funds are available to replenish the Reserve Fund which is itself available to be drawn upon on any other Interest Payment Date upon which there exists a Shortfall (in the case of the Non-Liquidity Reserve Fund) and/or a Revenue Shortfall (in the case of the Liquidity Reserve Fund).

Reserve Fund

In order to provide limited coverage for insufficient funds available (a) to provide for payment of items (i) to (xiii) of the Pre-Enforcement Revenue Priority of Payments (a “**Shortfall**”) and/or (b) to pay Senior Fees and interest on the A Notes (such shortfall a “**Revenue Shortfall**”), arising from time to time the Issuer will establish the Reserve Fund on the Issue Date.

The Reserve Fund will, on the Issue Date, be fully funded by the proceeds from the Z Notes in an amount equal to 3.0% of the aggregate principal amount of the A to F Notes (inclusive) as at the Issue Date (the “**Reserve Fund Required Amount**”). The Reserve Fund shall be maintained until such time as the E Notes are redeemed in full. Following redemption in full of the E Notes, any remaining balance in the Reserve Fund shall be paid out in accordance with the Post-Enforcement Priority of Payments.

The Reserve Fund is, in turn, divided into the Non-Liquidity Reserve Fund and the Liquidity Reserve Fund.

Non-Liquidity Reserve Fund

On the Issue Date, the Issuer will establish the Non-Liquidity Reserve Fund in an amount equal to the Reserve Fund Required Amount less the Liquidity Reserve Fund Required Amount (the “**Non-Liquidity Reserve Fund Required Amount**”) within the Investment Account and in the Non-Liquidity Reserve Fund Ledger. The Non-Liquidity Reserve Fund will be funded on each Interest Payment Date from Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments and from any surplus in the Liquidity Reserve Fund Ledger, in aggregate up to the Non-Liquidity Reserve Fund Required Amount.

Liquidity Reserve Fund

On the Issue Date, the Issuer will establish the Liquidity Reserve Fund in an amount equal to 3% of the Principal Amount Outstanding of the A Notes, from time to time (the “**Liquidity Reserve Fund Required Amount**”) within the Investment Account and in the Liquidity Reserve Fund Ledger. The Liquidity Reserve Fund will be funded on each Interest Payment Date firstly from Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments and secondly from Available Principal Funds in accordance with the Pre-Enforcement Principal Priority of Payments up to, in each case, the Liquidity Reserve Fund Required Amount. Any excess over the Liquidity Reserve Fund Required Amount held in the Liquidity Reserve Fund shall be transferred to the Non-Liquidity Reserve Fund.

Application of the Reserve Fund – Shortfall and Revenue Shortfall

If the Cash/Bond Administrator determines on the immediately preceding Determination Date that there will be a Shortfall or Revenue Shortfall, the Cash/Bond Administrator may (as set out in the Cash/Bond Administration Agreement), on any Interest Payment Date, apply any amounts standing to the credit of the Reserve Fund Ledger towards a Shortfall or a Revenue Shortfall as follows:

Where there is a Shortfall, the Issuer shall first pay or provide for that Shortfall by the application of the Non-Liquidity Reserve Fund.

Thereafter if there remains a Revenue Shortfall, the Issuer shall pay or provide for that Revenue Shortfall by the application of the Liquidity Reserve Fund.

If, following application of both the Non-Liquidity Reserve Fund and the Liquidity Reserve Fund as directed above, there remains any shortfall in items (iv), (vi), (viii), (x) and (xii) of the Pre-Enforcement Revenue Priority of Payments, the Issuer shall pay or provide for that shortfall by the application of Available Principal Funds, subject to the debit balance of the B Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of B Notes in respect of interest on the B Notes, the C Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of C Notes in respect of interest on the C Notes, the D Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of D Notes in respect of interest on the D Notes and the E Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of E Notes in respect of interest on the E Notes (such 10% threshold in respect of each Principal Deficiency Ledger being the relevant “**PDL Condition**”).

Amounts standing to the credit of the Reserve Fund Ledger on the Determination Date immediately following the redemption in full of the E Notes will comprise Available Principal Funds and be applied in accordance with the Post-Enforcement Priority of Payments.

Subordinated Loan Facility

The Subordinated Lender will provide a subordinated loan facility (the “**Subordinated Loan Facility**”) pursuant to which the Subordinated Lender (or one of its affiliates) may on request, at any time and at its discretion, make available to the Issuer advances in sterling to fund any Issuer Payment Amounts.

All advances will be initially credited to a separate ledger of the Transaction Account (the “**Shortfall Ledger**”) from where amounts may be debited for the payment of Issuer Payment Amounts.

Each advance shall bear interest at a rate of 3 Month Sterling LIBOR plus 4.5% on the outstanding balance of the advance. All such advances shall be repaid out of Available Revenue Funds and Available Principal Funds pursuant to the Priorities of Payment.

The Notes

Each Class of Notes will be constituted by the Trust Deed and will share the same security, although upon enforcement the A Notes will rank in priority to the B Notes, which will rank in priority to the C Notes, which will rank in priority to the D Notes, which will rank in priority to the E Notes, which will rank in priority to the F1 Notes, which will rank in priority to the F2 Notes, which will rank in priority to the F3 Notes, which will rank in priority to the Z Notes, which will rank in priority to the X1 Notes, which will rank in priority to the X2 Notes, which will rank in priority to the R Notes, and:

- (a) prior to the occurrence of a Post-Enforcement Trigger Event:
 - (i) the A Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal;
 - (ii) the B Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (iii) the C Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (iv) the D Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (v) the E Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (vi) the F1 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the F2 Notes, the F3 Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (vii) the F2 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the F3 Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (viii) the F3 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (ix) the Z Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the X Notes and the R Notes as to payment of principal; and
 - (x) subject as provided below, the X1 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in

Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the X2 Notes and the R Notes as to payment of principal; and

- (xi) subject as provided below, the X2 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the R Notes as to payment of principal; and
- (xii) subject as provided below, the R Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank after the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes and the X Notes.

Prior to the occurrence of a Post-Enforcement Trigger Event, (i) payments of interest and principal in respect of the X1 Notes and (ii) payments in respect of the X2 Notes, in each case, shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments.

Payments in respect of the X2 Notes will only be payable to the extent there are residual Available Revenue Funds up to (but excluding) the Step-Up Date, on which date they shall be deemed repaid in full.

Each R Note represents a *pro rata* entitlement to receive any residual balance following payment of all senior items in the relevant Priority of Payments by way of deferred consideration for the purchase by the Issuer of the Completion Mortgage Pool.

Payments in respect of the R Notes shall only be payable (i) from (and including) the Step-Up Date, out of residual Available Revenue Funds and (ii) out of residual Available Principal Funds. For the avoidance of doubt, prior to the Step-Up Date, any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payment will be payable to the X2 Notes and no such amounts shall be payable to the R Notes; and

- (b) following the occurrence of a Post-Enforcement Trigger Event:
 - (i) the A Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal;
 - (ii) the B Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (iii) the C Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (iv) the D Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (v) the E Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the F Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
 - (vi) the F1 Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security*

and Administration) and Condition 5 (*Redemption*) below, the F2 Notes, the F3 Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and

- (vii) the F2 Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the F3 Notes, the Z Notes, the X Notes and the R Notes as to payment of principal; and
- (viii) the F3 Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the Z Notes, the X Notes and the R Notes as to payment of principal; and
- (ix) the Z Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the X Notes and the R Notes as to payment of principal; and
- (x) the X1 Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the X2 Notes and the R Notes as to payment of principal; and
- (xi) subject as provided below, the X2 Notes will rank *pari passu* and without preference or priority amongst themselves for all purposes but will rank in priority to, to the extent set out in Condition 2 (*Status, Security and Administration*) and Condition 5 (*Redemption*) below, the R Notes as to payment of principal; and
- (xii) subject as provided below, the R Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank after the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes and the X Notes.

Following a Post-Enforcement Trigger Event payments in respect of the X1 Notes and the X2 Notes will, in each case, be made in accordance with the Post-Enforcement Priority of Payments.

Payments in respect of the X2 Notes will only be payable to the extent there are residual funds under the Post-Enforcement Priority of Payments up to (but excluding) the Step-Up Date, on which date they shall be deemed repaid in full.

Payments in respect of the R Notes shall only be payable from (and including) the Step-Up Date, out of residual funds under the Post-Enforcement Priority of Payments. For the avoidance of doubt, prior to the Step-Up Date, any residual balance following payment of all senior items in the Post-Enforcement Priority of Payment will be payable to the X2 Notes and no such amounts shall be payable to the R Notes.

Interest on the Notes will be payable in arrear as provided in Condition 4 (*Interest*).

The proceeds of the Z Notes will be used to fund (i) the Reserve Fund in an amount equal to the Reserve Fund Required Amount and (ii) Issuer Costs and Expenses. An amount equal to £1,093,000 shall on the Issue Date be credited to the Start-Up Costs Ledger for the payment by the Issuer of such Issuer Costs and Expenses. Any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the first Interest Payment Date shall be repaid to the holders of the Z Notes on the first Interest Payment Date and the Principal Amount Outstanding of the Z Notes shall be reduced by an equivalent sum.

Principal Deficiency Ledger

A Principal Deficiency Ledger comprising 8 sub-ledgers, being the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger, the E Principal Deficiency Ledger, the F1 Principal Deficiency Ledger, the F2 Principal Deficiency Ledger and the F3 Principal Deficiency Ledger, respectively, will be established in order to record Losses on the Mortgage Pool and/or the utilisation of principal receipts to pay a Revenue Shortfall and also to pay interest amounts on the B Notes, C Notes, D Notes and E Notes.

Any losses on the Mortgage Pool shall firstly be debited from the F3 Principal Deficiency Ledger (such debit items being recredited at item (xvii) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the F3 Notes, and shall then be debited from the F2 Principal Deficiency Ledger (such debit items being recredited at item (xvi) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the F2 Notes, and shall then be debited from the F1 Principal Deficiency Ledger (such debit items being recredited at item (xv) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the F1 Notes, and shall then be debited from the E Principal Deficiency Ledger (such debit items being recredited at item (xiii) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the E Notes, and shall then be debited from the D Principal Deficiency Ledger (such debit items being recredited at item (xi) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the D Notes, and shall then be debited from the C Principal Deficiency Ledger (such debit items being recredited at item (ix) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the C Notes, and shall then be debited from the B Principal Deficiency Ledger (such debit items being recredited at item (vii) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the B Notes, and shall then be debited from the A Principal Deficiency Ledger (such debit items being recredited at item (v) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the A Notes.

Collection Accounts, Bank Accounts and Authorised Investments

Collection Accounts

Unless otherwise agreed in writing by the Issuer and the Trustee, payments by Borrowers in respect of amounts due under the Loans will be made in the majority of cases by direct debits, into accounts in the name of KMC (the “**Collection Accounts**”) at the Collection Account Provider pursuant to the Collection Account Agreement. No payments from Borrowers with mortgage loans from the Legal Title-Holders which are not Loans in the Mortgage Pool should be paid into the Collection Accounts. The Legal Title-Holders will declare a trust over the Collection Accounts (the “**Collection Accounts Declaration of Trust**”) in favour of the Issuer.

The Collection Account Provider and the Account Bank shall be entitled at any time to deduct from the Collection Accounts and the Investment Account respectively any amounts to satisfy any of their obligations and/or liabilities properly incurred under the direct debiting scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in each case relating to Borrowers under the Mortgage Pool, or to pay amounts due or owing to the Collection Account Provider or the Account Bank (as the case may be) under the terms of the Collection Account Agreement or the Bank Agreement (as the case may be).

Investment Account and GIC Agreement

All amounts received from Borrowers will be credited initially to the Collection Accounts and will be transferred daily to the Transaction Account, and on the same day transferred from the Transaction Account to the Investment Account in the name of the Issuer at the Investment Account Provider.

The Investment Account Provider will contract, on the terms set out in the Investment Account Agreement to pay a rate of interest agreed from time to time with the Issuer (or the Cash/Bond Administrator on its behalf) on the funds on deposit in the Investment Account.

On each Determination Date, any amounts standing to the credit of the Investment Account required to be applied in accordance with the Priority of Payments on the immediately following Interest Payment Date shall be transferred to the Transaction Account.

The Investment Account Provider is obliged to transfer amounts standing to the credit of the Investment Account (up to an aggregate amount equal to the maximum size of the Reserve Fund) to the GIC Account on the Business Day following the date of receipt. On or prior to each Interest Payment Date, amounts will be transferred by the Investment Account Provider from the GIC Account to the Investment Account, as required, to be applied in accordance with the relevant Priority of Payments.

The GIC Provider will contract, on the terms set out in the GIC Agreement to pay a rate of interest agreed from time to time with the Cash/Bond Administrator on the funds on deposit in the GIC Account.

Transaction Account

The Issuer will open with the Account Bank the Transaction Account, which will be used as the Issuer's operational account in respect of the Mortgage Pool and from which the Issuer will make payments in accordance with the applicable Priority of Payments.

Any amounts (including but not limited to, the amounts from the Collection Accounts) transferred into the Transaction Account will be transferred daily from the Transaction Account to the Investment Account.

Subject to sufficient funds being available to the Issuer in the Investment Account, amounts from the Investment Account will be transferred to the Transaction Account to ensure that the Issuer always has sufficient funds in the Transaction Account to meet its payment obligations.

Authorised Investments

Funds of the Issuer will be deposited into the Investment Account, and if in the opinion of the Cash/Bond Administrator the rate of interest earned is likely to exceed the rate of interest paid on the Investment Account, the Issuer will be entitled to invest, and the Cash/Bond Administrator will invest on behalf of the Issuer in accordance with applicable laws and regulations all, or some, of such funds standing to the credit of the Investment Account in Authorised Investments (as set out in the Cash/Bond Administration Agreement).

ADMINISTRATION, SERVICING AND CASH MANAGEMENT OF THE MORTGAGE POOL

Mortgage Administration Agreement and Special Servicer Agreement

The Mortgage Administrator is required to administer the Mortgage Pool on behalf of the Issuer and the Trustee under the Mortgage Administration Agreement (see “*The Legal Title-Holders, the Mortgage Administrator and the Special Servicer – Kensington Mortgage Company Limited*”). The duties of the Mortgage Administrator include, *inter alia*:

- (a) maintaining the Loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the terms of the applicable Mortgage, and sending each Borrower an account statement every three months;
- (b) collecting the scheduled monthly payments due on the Loans. Payments due on the majority of the Loans are settled by direct debit. The Mortgage Administrator is, therefore, required to present to the relevant bank the direct debit instruction approximately five days before the relevant payment date;
- (c) notifying Borrowers of changes in their scheduled monthly payments;
- (d) dealing with the administrative aspects of redemption of a Loan. This includes arranging for the release of the deeds relating to the relevant Property together with the deed of release (or, as applicable, a discharge) of the Mortgage to the relevant Borrower upon receipt of amounts required to pay the Loan; and
- (e) dealing with enquiries and requests from Borrowers. These may include (but are not limited to) providing a credit reference from the lender, consenting to a transfer from joint Borrowers to a single Borrower (for example, upon a divorce), approving a tenancy agreement where a Borrower wishes temporarily to let the Property and providing details of the current outstanding balance.

On the Issue Date, the Mortgage Administrator will delegate its responsibilities and obligations as Mortgage Administrator to HML but will have, pursuant to the Mortgage Administration Agreement, an option to delegate all or a part of its functions as Mortgage Administrator instead to Acenden or another third party instead of HML, subject to the conditions set out therein. If the Mortgage Administrator opts to delegate any of its responsibilities and obligations to Acenden it shall provide prior notice of such appointment to the Rating Agencies together with a copy of the form of delegation agreement appointing Acenden and a description of the mechanics transferring the relevant responsibilities and obligations from KMC and/or HML, as applicable, to Acenden. Any appointment of another third party instead of HML or Acenden will require, among other things, receipt of Rating Agency Confirmation.

The Mortgage Administrator will be obliged under the Mortgage Administration Agreement to act upon the instructions of the Special Servicer in relation to certain aspects of the administration of the Loans and the Mortgages. The Special Servicer shall exercise such discretion as is vested in it for the purpose of administering the Mortgage Pool as would be exercised by a Prudent Mortgage Lender.

The Mortgage Administrator is permitted with the prior notification to the Issuer, the Special Servicer and the Trustee to sub-contract or delegate its obligations under the Mortgage Administration Agreement subject to the conditions that (i) a Rating Agency Confirmation has been obtained, and (ii) the relevant sub-contractor or delegate will perform the mortgage administration functions on behalf of the Mortgage Administrator so as to ensure that KMC (in its various capacities as lender of record, Mortgage Administrator and Special Servicer) complies with its obligations under the FSMA and MCOB.

The Mortgage Administrator is entitled to charge a fee for its mortgage settlement and related administration services under the Mortgage Administration Agreement, payable on each Interest Payment Date (subject to the proviso below and to the relevant Priority of Payments) of an amount, exclusive of value added tax, equal to (A) the product of 0.25% and the average aggregate Balance of each of the Loans in the Mortgage Pool on the last day of each calendar month or if such day is not a Business Day, the following Business Day, during the Interest Period immediately preceding the relevant Interest Payment Date divided by four and (B) various sundry fees, provided however the Mortgage Administrator shall be entitled to be paid monthly in arrear on an interim basis. In addition, the Issuer shall reimburse the Mortgage Administrator for all reasonable costs,

expenses and charges (including any properly incurred costs of sub contractors or delegates for which the Mortgage Administrator is liable) properly paid by the Mortgage Administrator in the performance of the Services and shall pay to the Mortgage Administrator any other pre-agreed fixed fees.

The appointment of KMC as Mortgage Administrator may be terminated by the Issuer (with the consent of the Trustee) or the Trustee on the happening of certain events of default, including non-performance of its obligations under the Mortgage Administration Agreement or if insolvency or similar events occur in relation to KMC (each a “**Mortgage Administrator Termination Event**”) or if, following the filing of an Enforcement Notice in relation to the Notes, the Trustee is entitled to dispose of the assets comprised in the Security in accordance with the Trust Deed. Following the occurrence of a Mortgage Administrator Termination Event, the Issuer (with the consent of the Trustee) or the Trustee shall (as soon as practicable after such event has come to its attention) give notice in writing to the Mortgage Administration Facilitator of such occurrence and request it to identify and select a replacement mortgage administrator. Upon being so notified, the Mortgage Administration Facilitator shall use reasonable endeavours to identify and select a replacement mortgage administrator within 30 calendar days of the occurrence of the applicable Mortgage Administrator Termination Event and provide details of its selection (the “**Proposed Replacement**”) to the Issuer and the Trustee. Promptly upon being notified of the identity of the Proposed Replacement, the Issuer shall appoint the Proposed Replacement as Mortgage Administrator on substantially the same terms as set out in the Mortgage Administration Agreement, provided however that any such appointment shall be subject to the prior written consent of the Trustee.

The Special Servicer is entitled to charge a fee for its services under the Special Servicer Agreement payable on each Interest Payment Date (subject to and in accordance with the Priority of Payments) of (1) an amount, exclusive of value added tax, equal to the product of 0.05% and the average aggregate Balance of each of the Loans in the Mortgage Pool on the first day of each calendar month or if such day is not a Business Day, the following Business Day during the Interest Period immediately preceding the relevant Interest Payment Date divided by four in respect of each full Interest Period (or, as applicable, *pro rata* in respect of any different period) and (2) various sundry fees.

Provided prior notification has been given to the Issuer, the Trustee and the Rating Agencies, the Special Servicer is permitted to sub-contract or delegate its obligations under the Special Servicer Agreement subject to the conditions that (i) a Rating Agency Confirmation is obtained (or deemed to be waived), and (ii) the relevant sub-contractor or delegate will perform the special servicer functions on behalf of the Special Servicer so as to ensure that KMC (in its various capacities as a Legal Title-Holder, Mortgage Administrator and Special Servicer) complies with its obligations under the FSMA and MCOB.

Under the Special Servicer Agreement, the Issuer will grant the Special Servicer full right, liberty and authority from time to time to determine and set the rate or rates of interest applicable to the Loans in accordance with the terms of such Loans. This will include the right to determine, in accordance with the terms of MVR Standard Mortgages and KVR Standard Mortgages, the discretionary element of the margin applicable to the MVR Standard Mortgages and KVR Standard Mortgages. In the Special Servicer Agreement, the Special Servicer will covenant not to set the KVR Standard Mortgage Rate or the MVR Standard Mortgage Rate below the applicable Floor Level unless there are sufficient funds standing to the credit of the Shortfall Ledger (net of all provisions previously made in the relevant Interest Period) equal to the Issuer Payment Amount for such Interest Period and the Issuer makes a provision in the Shortfall Ledger equal to such Issuer Payment Amount.

In the event that the KVR Standard Mortgage Rate or MVR Standard Mortgage Rate is set below the Floor Level for a particular Interest Period, the Cash/Bond Administrator on behalf of the Issuer shall be entitled to apply amounts standing to the credit of the Shortfall Ledger equal to the Issuer Payment Amount for that Interest Period on the next following Interest Payment Date.

Following the occurrence of a Perfection Event which involves the full transfer of legal title to the Loans, the Special Servicer shall not be entitled to, and the Issuer shall procure that the Special Servicer does not, set the KVR Standard Mortgage Rate or MVR Standard Mortgage Rate at a level lower than the Floor Level.

The appointment of KMC as Special Servicer may be terminated by the Issuer (with the consent of the Trustee) or the Trustee upon the happening of certain events of default or if insolvency or similar events occur

in relation to KMC or if, following the giving of an Enforcement Notice in relation to the Notes, the Trustee is entitled to dispose of the assets comprising the Security in accordance with the Trust Deed.

Cash/Bond Administration Agreement

For the purpose of the administration of the Mortgage Pool, the Cash/Bond Administrator will be authorised to operate the Bank Accounts and the Collection Accounts for the purpose of the Cash/Bond Administration Agreement. The duties of the Cash/Bond Administrator include, *inter alia*:

- (a) making the required ledger entries and calculations in respect of such ledger entries;
- (b) maintaining and/or replenishing the Reserve Fund and the Liquidity Reserve Fund on behalf of the Issuer in accordance with the relevant Pre-Enforcement Priority of Payments; and
- (c) distributing the Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments, the Available Principal Funds in accordance with the relevant Pre-Enforcement Principal Priority of Payments and, following the occurrence of a Post-Enforcement Trigger Event, distributing available funds in accordance with the Post-Enforcement Priority of Payments and making arrangements for the payment by the Issuer of interest and principal in respect of the Notes subject to the terms thereof and to the availability of funds.

If for whatever reason, an incorrect payment is made to any party entitled thereto (including the Noteholders of any Class) pursuant to the Pre-Enforcement Revenue Priority of Payments and/or the Pre-Enforcement Principal Priority of Payments, the Cash/Bond Administrator will rectify the same by increasing or reducing payments to such party (including the Noteholders of any Class), as appropriate, on each subsequent Interest Payment Date or Interest Payment Dates (if applicable) to the extent required to correct the same. Where such an adjustment is required to be made, the Cash/Bond Administrator will notify Noteholders of the same in accordance with the terms of Condition 14 (*Notice to Noteholders*). Neither the Issuer nor the Cash/Bond Administrator will have any liability to any person for making any such correction.

The Cash/Bond Administrator is entitled to charge a fee for its services under the Cash/Bond Administration Agreement, payable on each Interest Payment Date as provided for in the Pre-Enforcement Revenue Priority of Payments and the Post-Enforcement Priority of Payments.

The appointment of the Cash/Bond Administrator may be terminated by the Issuer (with the consent of the Trustee) or the Trustee upon the happening of certain events of default or if insolvency or similar events occur in relation to the Cash/Bond Administrator or if, following the giving of an Enforcement Notice in relation to the Notes, the Trustee is entitled to dispose of the assets comprised in the Security. Following any such termination, Wells Fargo Bank International as the Standby Cash/Bond Administrator shall assume the functions of the Cash/Bond Administrator.

Under the Cash/Bond Administration Agreement, to the extent that a Legal Title-Holder is required to pay any amount to a Borrower under the terms of the Transaction Documents or by operation of law or at the request of any regulatory authority as a result of holding the legal title to the relevant Loan, such requirement to pay shall be the obligation of the Issuer and not such Legal Title-Holder, and the Issuer shall ensure that such obligation is satisfied, and such payment may be made by the Issuer on any Business Day, whether or not an Interest Payment Date.

Enforcement Procedures

The Legal Title-Holders have established the Enforcement Procedures, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. These same procedures as from time to time varied in accordance with the practice of a Prudent Mortgage Lender as dictated by the Special Servicer will continue to be applied in respect of arrears arising on the Mortgages. In this context, the non-discretionary elements of the Enforcement Procedures will be operated by the Mortgage Administrator whereas the majority of the discretionary elements will remain with the Special Servicer, who may appoint the Mortgage Administrator to undertake certain of these elements.

Insurance Contracts

Buildings Insurance

At the time of completion, the relevant Property must have been insured by the Borrower under an insurance policy to an amount not less than the full reinstatement value determined at or around the time the related Loan was made. Where the Borrower has allowed his or her insurance policy to lapse, and where a Legal Title-Holder is not aware of that lapse, such Legal Title-Holder and the beneficial owner of the relevant Loan will have the benefit of a Contingency Policy. Where a Legal Title-Holder becomes aware that the Borrower has allowed his or her insurance policy to lapse, the relevant Legal Title-Holder has the right to arrange LIO cover in respect of any relevant Property at the expense of the Borrower.

Accident, Sickness and Unemployment Policies

Certain Borrowers may have the benefit of accident, sickness and unemployment insurance. Insurance premiums payable by Borrowers directly to their lender in respect of buildings or accident, sickness and unemployment insurance will (subject to actual payment by those Borrowers) be received by the Issuer and will represent amounts payable to third party insurers together with a commission. Any amounts due in respect of such commissions will be paid to the Special Servicer in accordance with the provisions of the Special Servicer Agreement.

WEIGHTED AVERAGE LIVES OF THE NOTES

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 investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of redemption of the Loans.

The model used in this Prospectus for the Loans represents an assumed constant per annum rate of prepayment (“CPR”) each month relative to the then outstanding principal balance of a pool of mortgage loans. CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the expected rate of prepayment of any mortgage loans, including the Mortgages to be included in the Completion Mortgage Pool.

The following tables were prepared based on the characteristics of the Loans to be included in the Mortgage Pool and the following additional assumptions (the “Modelling Assumptions”):

- (a) there are no arrears or enforcements;
- (b) no Loan is sold by the Issuer;
- (c) no Principal Deficiency arises;
- (d) no Loan is required to be repurchased by the Seller, the Guarantor or any of its affiliates due to any warranty breach;
- (e) the portfolio mix of loan characteristics remain the same throughout the life of the Notes and 100% of the Mortgage Pool is purchased at the Issue Date;
- (f) the interest payment as well as the principal payment for each Loan is calculated on a loan-by-loan basis assuming each Loan amortises monthly (meaning the amortisation of each Loan is determined by the loan specific (i) remaining term, (ii) principal outstanding and (iii) margin plus base index);
- (g) the amortisation of any Repayment Loan is calculated as an annuity loan on a 30/360 basis, and the interest on any Loan is calculated on an actual/365 basis;
- (h) all Loans which are not Repayment Loans are assumed to be Interest Only Loans;
- (i) there are 87 days between the Issue Date and the first Interest Payment Date;
- (j) a LIBOR rate of 0.55%, KVR rate of 3.55%, MVR rate of 2.55% and BBR 0.50%;
- (k) there is collateral of £507,600,000.00 and liabilities of £507,600,000.00;
- (l) all Loans eventually revert to a floating interest rate;
- (m) no further advances are made on a Loan;
- (n) the Completion Mortgage Pool as at the Issue Date is the same as the Provisional Completion Mortgage Pool as at the Cut Off Date; and
- (o) the 23 Loans which have a legal final maturity before the Cut-Off Date have been modelled with an assumed maturity date of February 2020.

The actual characteristics and performance of the Loans are likely to differ from the assumptions used in constructing the tables set forth below, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Loans will prepay at a constant rate until maturity, that all of the Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Loans. Moreover, the diverse remaining terms to maturity of the Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity of the Loans is assumed.

Any difference between such assumptions and the actual characteristics and performance of the Loans will cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage of CPR.

Weighted Average Life in Years

The weighted average lives shown below were determined by (i) multiplying the net reduction, if any, of the Principal Amount Outstanding of each Class of Notes by the number of years from the date of issue of the Notes to the related Interest Payment Date, (ii) adding the results and (iii) dividing the sum by the aggregate of the net reductions of the Principal Amount Outstanding described in (i) above.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the Notes. The weighted average lives of the Rated Notes have been calculated on an actual/365 basis.

Weighted Average Life in Years (assuming a call option is exercised on the Call Option Date)

Weighted Average Life	0% CPR	2% CPR	5% CPR	7% CPR	10% CPR	12% CPR	15% CPR	20% CPR
A Notes	4.86	4.54	4.08	3.79	3.38	3.13	2.77	2.23
B Notes	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24
C Notes	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24
D Notes	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24
E Notes	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24
F1 Notes	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24
F2 Notes	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24
F3 Notes	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24
Z Notes	5.24	5.24	5.24	5.24	5.24	5.24	5.24	5.24

Weighted Average Life in Years (with optional 10% call)

Weighted Average Life	0% CPR	2% CPR	5% CPR	7% CPR	10% CPR	12% CPR	15% CPR	20% CPR
A Notes	11.53	9.08	6.44	5.29	4.07	3.52	2.91	2.23
B Notes	17.75	17.56	15.77	13.58	11.31	9.86	8.18	6.34
C Notes	19.00	17.85	17.56	16.84	14.11	12.71	10.92	8.41
D Notes	20.76	18.25	17.77	17.65	15.50	13.75	12.25	9.50
E Notes	20.76	18.25	18.00	17.75	15.50	13.75	12.25	9.50
F1 Notes	20.76	18.25	18.00	17.75	15.50	13.75	12.25	9.50
F2 Notes	20.76	18.25	18.00	17.75	15.50	13.75	12.25	9.50
F3 Notes	20.76	18.25	18.00	17.75	15.50	13.75	12.25	9.50
Z Notes	20.76	18.25	18.00	17.75	15.50	13.75	12.25	9.50

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Temporary Global Notes and the Permanent Global Notes (each a “**Global Note**” as the context may require) contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

1 Nominal Amount and Exchange

The nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear and Clearstream, Luxembourg or any alternative clearing system approved by the Trustee and permitted to hold the Temporary Global Note and the Permanent Global Note as eligible collateral for Eurosystem monetary policy and intra-day credit operations (each a relevant “**Clearing System**”).

The Notes will be issued in the form of new global notes and are intended upon issue to be deposited with a common safekeeper on behalf of one of the ICSDs. On 6 September 2012 the Governing Council of the European Central Bank announced that sterling denominated debt instruments issued and held in the euro area will be eligible collateral from 9 November 2012 until further notice. As such and subject to their inclusion on the European Central Bank’s eligible assets list, the Notes are expected to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem as at the Issue Date. Note that this does not necessarily mean, and no assurance is given by the Issuer or the Joint Lead Managers, that, should the Notes be recognised as eligible collateral, they will remain recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem during their entire life. Such recognition may cease upon the European Central Bank modifying the Eurosystem eligibility criteria.

The records of such relevant Clearing System shall be conclusive evidence of the nominal amount of Notes represented by the Temporary Global Note and the Permanent Global Note and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time. The Trustee will not 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.

The Temporary Global Note is exchangeable in whole or in part for interests recorded in the records of the relevant Clearing Systems in the Permanent Global Note on the date falling after the expiry of 40 days from the Issue Date, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. The Permanent Global Note is exchangeable in whole but not in part (free of charge to the holder) for the definitive Notes described below if any of the following events (each an “**Exchange Event**”) occurs:

- (a) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of this Permanent Global Note which would not be required were the relevant Notes in definitive form; or
- (b) the Global Note is held on behalf of a relevant Clearing System and such relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. Thereupon, the holder may give notice to the Principal Paying Agent of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date specified in the notice. Neither the Trustee nor any of its agents, will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

On or after the Exchange Date the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of Principal Paying Agent. In exchange for the Permanent Global Note the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of the Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant definitive Notes.

“**Exchange Date**” means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the cities in which the relevant Clearing System is located.

2 Payments

No payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by the Global Note will be made to its holder. The Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant Clearing System and, in the case of payments of principal, the nominal amount of the Notes will be reduced accordingly. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, Condition 6(d) (*Payments on business days*) shall not apply, and all such payments shall be made on a day which is a business day (as defined in Condition 6(d) (*Payments on business days*)).

3 Notices

So long as the Notes are represented by the Global Note and the Global Note is held on behalf of a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

4 Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate relevant date (as defined in Condition 7 (*Prescription*)).

5 Meetings

The holder of the Global Note shall (unless the Global Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each £1.00 in principal amount of Notes.

6 Purchase and Cancellation

On cancellation of any Note required by the Conditions to be cancelled following its purchase, the Issuer shall procure that details of such cancellation shall be entered *pro rata* in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so cancelled.

7 Trustee's Powers

In considering the interests of Noteholders while the Global Note is held on behalf of a relevant Clearing System, the Trustee may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holder of the Global Note.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes (the “Conditions”) which (subject to amendment and completion) will be endorsed or attached on each Global Note and each Note in definitive form (if applicable) and (subject to the provisions thereof) will apply to each such Note.

The issue of £370,500,000 Class A Notes due 2046 (the “**A Notes**”), £54,600,000 Class B Notes due 2046 (the “**B Notes**”), £38,000,000 Class C Notes due 2046 (the “**C Notes**”), £14,000,000 Class D Notes due 2046 (the “**D Notes**”), £15,200,000 Class E Notes due 2046 (the “**E Notes**” and together with the A Notes, the B Notes, the C Notes and the D Notes, the “**Rated Notes**” or the “**Floating Rate Notes**”), £5,100,000 Class F1 Notes due 2046 (the “**F1 Notes**”), £5,100,000 Class F2 Notes due 2046 (the “**F2 Notes**”) £5,100,000 Class F3 Notes due 2046 (the “**F3 Notes**” and together with the F1 Notes and the F2 Notes, the “**F Notes**”), £16,321,000 Class Z Notes due 2046 (the “**Z Notes**”), £25,400,000 Class X1 Notes due 2046 (the “**X1 Notes**” or the “**Fixed Rate Notes**”), £100,000 Class X2 Notes due 2046 (the “**X2 Notes**” and together with the X1 Notes, the “**X Notes**”) and £100,000 Class R Notes due 2046 (the “**R Notes**”, and, together with the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes and the X Notes, (the “**Notes**”) of Residential Mortgage Securities 28 Plc (the “**Issuer**”) was authorised by a resolution of the board of directors of the Issuer passed on 17 March 2015.

The Notes are constituted by a trust deed (as amended or modified from time to time, the “**Trust Deed**”) dated on or about 20 March 2015 (the “**Issue Date**”) between the Issuer and Wells Fargo Trust Corporation Limited (the “**Trustee**”) as trustee for the holders of the Notes (the “**Noteholders**”). Any reference in these terms and conditions (the “**Conditions**”) to a “**Class**” of Notes or Noteholders shall be a reference to, as the case may be, the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes or to the respective holders thereof.

These Conditions include summaries of, and are subject to, the detailed provisions of (1) the Trust Deed, which includes the form of the Notes and the coupons (the “**Coupons**”) relating to them, (2) the paying agency agreement (the “**Paying Agency Agreement**”) dated the Issue Date relating to the Notes between the Issuer, the Trustee, Société Générale Bank & Trust as agent bank (the “**Agent Bank**”), Société Générale Bank & Trust as principal paying agent (the “**Principal Paying Agent**”) and the other paying agents named in it (together with the Principal Paying Agent and any other or further paying agent appointed under the Paying Agency Agreement, the “**Paying Agents**” and together with the Agent Bank, the “**Agents**”), (3) the deed of charge and assignment (the “**Deed of Charge**”) dated the Issue Date between the Issuer and the Trustee, (4) the cash/bond administration agreement (the “**Cash/Bond Administration Agreement**”) dated the Issue Date between, *inter alios*, the Issuer and Kensington Mortgage Company Limited (the “**Cash/Bond Administrator**”) and (5) the retention letter (the “**Retention Letter**”) dated the Issue Date between the Issuer, the Security Trustee, the Seller and Kayl Holdco S.à r.l.

In these Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the Master Definitions Schedule dated on or about the Issue Date and signed for the purpose of identification by Berwin Leighton Paisner LLP and White & Case LLP.

Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Cash/Bond Administration Agreement, the Master Definitions Schedule and the other Transaction Documents are available (i) for inspection during usual business hours at the specified offices from time to time of the Principal Paying Agent and (ii) online at www.ctslink.com and will be available in such manner for at least as long as the Notes are admitted to listing on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require. The Noteholders and the holders of the Coupons (whether or not attached to the relevant Notes) (the “**Couponholders**”) are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Master Definitions Schedule and the other Transaction Documents.

1 Form, Denomination and Title

(a) Form and denomination

The Notes are serially numbered and in bearer form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, each with Coupons attached on issue. No definitive Notes will be issued with a denomination above £199,000.

(b) Title

Title to the Notes and Coupons passes by delivery. The Noteholder or Couponholder will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2 Status, Security and Administration

- (a) The Notes and Coupons constitute direct, secured and unconditional obligations of the Issuer, recourse in respect of which is limited in the manner described in Condition 10 (*Enforcement of Notes, Limited Recourse and Non-Petition*).

As regards payments of interest:

- (i) prior to the earlier to occur of (A) the date on which the Trustee gives notice to the Issuer pursuant to Condition 9(a) (*Events of Default*) declaring the Notes to be due and repayable, (B) the Final Maturity Date; (C) the Interest Payment Date on which the relevant Notes are redeemed in accordance with Condition 5(d) (*Optional Redemption in Full*) or Condition 5(e) (*Optional Redemption for Taxation or Other Reasons*) and (D) the date on which the E Notes have been redeemed in full (each such date a “**Post-Enforcement Trigger Event**”), (I) the A Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (II) the B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (III) the C Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (IV) the D Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (V) the E Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the F Notes, the Z Notes, the X Notes and the R Notes; (VI) the F1 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the F2 Notes, the F3 Notes, the Z Notes, the X Notes and the R Notes; (VII) the F2 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the F3 Notes, the Z Notes, the X Notes and the R Notes; (VIII) the F3 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Z Notes, the X Notes and the R Notes; (IX) the Z Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the X Notes and the R Notes; (X) the X1 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the X2 Notes and the R Notes; (XI) subject as provided below, the X2 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the R Notes and (XII) subject as provided below, the R Notes shall rank *pari passu* and without any preference or priority amongst themselves; and

- (ii) following the occurrence of a Post-Enforcement Trigger Event, (I) the A Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (II) the B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (III) the C Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (IV) the D Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (V) the E Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the F Notes, the Z Notes, the X Notes and the R Notes; (VI) the F1 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the F2 Notes, the F3 Notes, the Z Notes, the X Notes and the R Notes; (VII) the F2 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the F3 Notes, the Z Notes, the X Notes and the R Notes; (VIII) the F3 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Z Notes, the X Notes and the R Notes; (IX) the Z Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the X Notes and the R Notes; (X) the X1 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the X2 Notes and the R Notes; (XI) subject as provided below, the X2 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the R Notes and (XII) subject as provided below, the R Notes shall rank *pari passu* and without any preference or priority amongst themselves; and

As regards repayments of principal:

- (i) prior to the occurrence of a Post-Enforcement Trigger Event, (I) the A Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (II) the B Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (III) the C Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (IV) the D Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes; (V) the E Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the F Notes, the Z Notes, the X Notes and the R Notes; (VI) the F1 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the F2 Notes, the F3 Notes, the Z Notes, the X Notes and the R Notes; (VII) the F2 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the F3 Notes, the Z Notes, the X Notes and the R Notes; (VIII) the F3 Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the Z Notes, the X Notes and the R Notes; and (IX) the Z Notes shall rank *pari passu* and without any preference or priority amongst themselves and in priority to the X Notes and the R Notes; and
- (ii) following the occurrence of a Post-Enforcement Trigger Event, the provisions of Condition 2(d) (*Post-Enforcement Priority of Payments*) shall apply.

As regards payments on the X Notes and the R Notes:

- (i) prior to the occurrence of a Post-Enforcement Trigger Event, (A) payments of interest and principal in respect of X1 Notes and (B) payments in respect of the X2 Notes, in each case, shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments;
- (ii) following a Post-Enforcement Trigger Event payments in respect of the X1 Notes and the X2 Notes will, in each case, be made in accordance with the Post-Enforcement Priority of Payments;
- (iii) payments in respect of the X2 Notes will only be payable to the extent there are residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payment (or residual funds under the Post-Enforcement Priority of Payments, if applicable) up to (but excluding) the Step-Up Date, on which date they shall be deemed repaid in full; and
- (iv) payments in respect of the R Notes shall only be payable (a) from (and including) the Step-Up Date, out of residual Available Revenue Funds under the Pre-Enforcement Revenue Priority of Payment (or residual funds under the Post-Enforcement Priority of Payments, if applicable) and (b) at any time out of residual Available Principal Funds. For the avoidance of doubt, prior to the Step-Up Date, any residual balance following payment of all senior items in the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments will be payable to the X2 Notes and no such amounts shall be payable to the R Notes. As a result there may be insufficient funds or no funds available to make payments on the X1 Notes, the X2 Notes and/or the R Notes.

As regards payments on the Z Notes on the first Interest Payment Date:

The proceeds of the Z Notes will be used to fund (i) the Reserve Fund in an amount equal to the Reserve Fund Required Amount and (ii) Issuer Costs and Expenses. An amount equal to £1,093,000 shall on the Issue Date be credited to a separate ledger within the Transaction Account (the “**Start-Up Costs Ledger**”) for the payment by the Issuer of such Issuer Costs and Expenses. Any balance standing to the credit of the Start-Up Costs Ledger on the Determination Date falling immediately prior to the first Interest Payment Date shall be paid to the holders of the Z Notes on the first Interest Payment Date and the Principal Amount Outstanding of the Z Notes shall be reduced by an equivalent sum.

The Notes are constituted by the Trust Deed and are secured by the same security, but upon enforcement of the security created pursuant to the Deed of Charge (the “**Security**”), the Notes will rank in the priority as referred to above.

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee to have (except where expressly provided otherwise) regard only to the interests of the holders of the Most Senior Class if, in the Trustee’s opinion, there is a conflict between the interests of the holders of the Most Senior Class and the interests of any of the other Noteholders and the other Noteholders (not being holders of the Most Senior Class) shall have no claim against the Trustee for so doing.

The Trust Deed contains provisions limiting the powers of the holders of those Classes of Notes other than the Most Senior Class, *inter alia*, to request or direct the 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. Except in certain circumstances set out in Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class, the exercise of which will be binding on the holders of the other Classes of Notes, irrespective of the effect thereof on their interests.

The Trust Deed and Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) also contain provisions regarding the resolution of disputes between the holders of more than one Class of Notes where all of such Classes are the Most Senior Class and between the holders of more than one Class of Notes other than the Most Senior Class.

The Trust Deed contains provisions to the effect that, so long as any of the Notes are outstanding, the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons having the benefit of the Security constituted by the Deed of Charge and, in relation to the exercise of such powers, authorities and discretions, the Trustee shall have no liability to such persons as a consequence of so acting.

So long as any of the Notes remain outstanding, in the exercise of its rights, authorities and discretions under the Trust Deed, the Trustee is not required to have regard to the interests of the other Secured Creditors.

In determining whether the exercise of any right, power, trust, authority, duty or discretion by it under or in relation to the Conditions and/or any of the Transaction Documents is materially prejudicial to the interests of the Noteholders (or any class thereof), the Trustee may take into account, if available, amongst any other things it may consider necessary and/or appropriate in its absolute discretion, whether the then rating of the Rated Notes will be adversely affected.

(b) **Security**

As security for the payment of all monies payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any Receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Mortgage Administrator and the Mortgage Administration Facilitator under the Mortgage Administration Agreement, the Special Servicer under the Special Servicer Agreement, the Cash/Bond Administrator under the Cash/Bond Administration Agreement, the Standby Cash/Bond Administrator under the Standby Cash/Bond Administration Agreement the Principal Paying Agent and Agent Bank under the Paying Agency Agreement, the Account Bank under the Bank Agreement, the Collection Account Provider under the Collection Account Agreement, the Investment Account Provider under the Investment Account Agreement, the Corporate Services Provider under the Corporate Services Agreement, the Paying Agents under the Paying Agency Agreement, the GIC Provider under the GIC Agreement, the Subordinated Lender under the Subordinated Loan Agreement, the Joint Lead Managers under the Note Purchase Agreement and any other party which is, or accedes to the Deed of Charge as a Secured Party, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) first fixed equitable charges and security in favour of the Trustee over the Issuer's present and future right, title, benefit and interest in, to and under the English Loans, the English Mortgages and their related Collateral Security relating to the Loans;
- (ii) an equitable assignment in favour of the Trustee of the Issuer's interests in the Insurance Contracts to the extent that they relate to the Loans;
- (iii) an assignment in favour of the Trustee of the Issuer's right, title, interest and benefit in, to and under the Bank Agreement, the Collection Account Agreement, the GIC Agreement, the Subordinated Loan Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Collection Accounts Declaration of Trust, the Corporate Services Agreement, the Deed of Charge, the Investment Account Agreement, the Mortgage Administration Agreement, the Kayl/Issuer Mortgage Sale Agreement, the Retention Letter, the Paying Agency Agreement, the Special Servicer Agreement, the Trust Deed, the

Issuer/ICSD Agreement and any other agreement entered into between the Issuer and a secured party to the Deed of Charge (the “**Charged Obligation Documents**”);

- (iv) a first fixed charge in favour of the Trustee over (x) the Issuer’s interest in the Bank Accounts and any Authorised Investments, (y) the Issuer’s beneficial interest in the Collection Accounts and (z) any other accounts with any bank or financial institution in which the Issuer now or in the future has an interest (to the extent of its interest);
- (v) pursuant to one or more Supplemental Deeds of Charge to be entered into pursuant to the Deed of Charge on the Issue Date, an assignment in security of the Issuer’s beneficial interest in the Scottish Loans and their related Collateral Security (comprising the Issuer’s beneficial interest under the trusts declared by the relevant Legal Title-Holder(s) over such Scottish Loans and their related Collateral Security for the benefit of the Issuer pursuant to each Scottish Declaration of Trust entered into on the Issue Date); and
- (vi) a first floating charge in favour of the Trustee (ranking after the security referred to in paragraphs (i) to (v) above) over the whole of the undertaking, property, assets and rights of the Issuer (and extending to all of the Issuer’s Scottish assets, including those covered by the fixed security);

(c) **Pre-Enforcement Revenue Priority of Payments**

Prior to the enforcement of the Security on each Interest Payment Date, the Cash/Bond Administrator shall apply an amount equal to the Available Revenue Funds, which shall include for the avoidance of doubt:

- (a) interest earned pursuant to the Investment Account Agreement and the GIC Agreement for the Determination Period immediately preceding the Determination Date and interest received on the Transaction Account for the Determination Period immediately preceding the relevant Determination Date;
- (b) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;
- (c) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;
- (d) any amount standing to the credit of the Non-Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (e) and (f) below) in respect thereof;
- (e) for so long as there are any Class A Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (d) above but excluding paragraph (f) below);
- (f) such amounts of Available Principal Funds on the relevant Determination Date if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be (i) a Revenue Shortfall and (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the B Notes, the C Notes, the D Notes and the E Notes, in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (d) and (e) above); and
- (g) any amounts credited to the Revenue Ledger from the Shortfall Ledger,

as at the immediately preceding Determination Date in making the following payments in the following order of priority, but in each case only to the extent that all payments of a higher priority have been made in full (the “**Pre-Enforcement Revenue Priority of Payments**”):

- (i) *first*, to pay *pro rata* when due the remuneration payable to the Trustee (plus VAT, if any) and any fees (including legal fees), costs, charges, liabilities and expenses incurred by it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together or any other documents entered into by the Trustee in its capacity as trustee under the Trust Deed or the Deed of Charge or either or both of them with interest as provided in the Trust Deed or the Deed of Charge or either or both of them;
- (ii) *second*, to pay *pro rata* when due (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Interest Payment Date and prior to the next Interest Payment Date and to provide for the Issuer’s liability or possible liability for corporation tax; and (b) an amount equal to any premia in respect of Insurance Contracts;
- (iii) *third*, to pay *pro rata* and *pari passu*:
 - (A) if the Mortgage Administration Agreement has not been terminated (except to the extent already paid to the Mortgage Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Issue Date) the mortgage administration fee (exclusive of value added tax, if any), payable under the Mortgage Administration Agreement, such fee being up to a maximum of the product of 0.25% and the average aggregate Balance of each of the Loans in the Mortgage Pool on the last day of each calendar month during the Interest Period ending on such Interest Payment Date divided by four together with costs, expenses and sundry fees incurred or charged by the Mortgage Administrator in accordance with the Mortgage Administration Agreement;
 - (B) (i) the cash/bond administration fee (exclusive of value added tax, if any), payable under the Cash/Bond Administration Agreement to the Cash/Bond Administrator, such fee being up to a maximum of the product of 0.02% and the aggregate Principal Amount Outstanding of all the Senior Notes on the first day of each Interest Period immediately preceding the said Interest Payment Date divided by four in respect of each full Interest Period together with costs and expenses incurred by the Cash/Bond Administrator in accordance with the Cash/Bond Administration Agreement; and (ii) the special servicer fee (exclusive of value added tax, if any), payable under the Special Servicer Agreement to the Special Servicer, such fee being up to a maximum of the product of 0.05% and the average aggregate current outstanding balances of the Loans in the Mortgage Pool on the first day of each calendar month during the Interest Period ending on such Interest Payment Date divided by four in respect of each full Interest Period together with costs and expenses incurred by the Special Servicer in accordance with the Special Servicer Agreement;
 - (C) if the Cash/Bond Administration Agreement has not been terminated and prior to the Standby Cash/Bond Administrator performing its obligations under the Standby Cash/Bond Administration Agreement and stepping in as Cash/Bond Administrator (except to the extent already paid to the Standby Cash/Bond Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Issue Date) the standby cash/bond administration fee (exclusive of value added tax, if any), payable

under the Standby Cash/Bond Administration Agreement to the Standby Cash/Bond Administrator in respect of each full Interest Period with costs and expenses incurred by the Standby Cash/Bond Administrator in accordance with the Standby Cash/Bond Administration Agreement;

- (D) amounts due (plus value added tax, if any) and any fees (including legal fees), costs, charges, liabilities, and expenses incurred by it to the Paying Agents and Agent Bank under the Paying Agency Agreement, the Account Bank under the Bank Agreement and the Collection Account Provider under the Collection Account Agreement;
 - (F) amounts due and payable (plus value added tax, if any) to the Corporate Services Provider under and in accordance with the Corporate Services Agreement and the Mortgage Administration Facilitator under the Mortgage Administration Agreement; and
 - (G) amounts due and payable to the GIC Provider under the GIC Agreement;
- (iv) *fourth*, to pay *pro rata* and *pari passu* amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders);
 - (v) *fifth*, amounts to be credited to the A Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5 (*Redemption*)) until the balance of the A Principal Deficiency Ledger has reached zero;
 - (vi) *sixth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders);
 - (vii) *seventh*, amounts to be credited to the B Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5 (*Redemption*)) until the balance of the B Principal Deficiency Ledger has reached zero;
 - (viii) *eighth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders);
 - (ix) *ninth*, amounts to be credited to the C Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5 (*Redemption*)) until the balance of the C Principal Deficiency Ledger has reached zero;
 - (x) *tenth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders);
 - (xi) *eleventh*, amounts to be credited to the D Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5 (*Redemption*)) until the balance of the D Principal Deficiency Ledger has reached zero;
 - (xii) *twelfth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders);
 - (xiii) *thirteenth*, amounts to be credited to the E Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5 (*Redemption*)) until the balance of the E Principal Deficiency Ledger has reached zero;

- (xiv) *fourteenth*, amounts to be credited to the Reserve Fund Ledger, up to the Reserve Fund Required Amount;
- (xv) *fifteenth*, amounts to be credited to the F1 Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5 (*Redemption*)) until the balance of the F1 Principal Deficiency Ledger has reached zero;
- (xvi) *sixteenth*, amounts to be credited to the F2 Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5 (*Redemption*)) until the balance of the F2 Principal Deficiency Ledger has reached zero;
- (xvii) *seventeenth*, amounts to be credited to the F3 Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5 (*Redemption*)) until the balance of the F3 Principal Deficiency Ledger has reached zero;
- (xviii) *eighteenth*, to pay any Issuer Turn which amounts shall be credited to the Issuer Turn Ledger.
- (xix) *nineteenth*, to pay amounts (other than in respect of principal) payable in respect of the F1 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the F1 Noteholders),
- (xx) *twentieth*, to pay amounts (other than in respect of principal) payable in respect of the F2 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the F2 Noteholders)
- (xxi) *twenty-first*, to pay amounts (other than in respect of principal) payable in respect of the F3 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the F3 Noteholders);
- (xxii) *twenty-second*, to pay amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Z Noteholders);
- (xxiii) *twenty-third*, to pay:
 - (A) amounts (other than in respect of principal) payable in respect of the X1 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X1 Noteholders) in accordance with Condition 4 (*Interest*); and then
 - (B) amounts payable to the X1 Noteholders in respect of principal on the X1 Notes until the X1 Notes are redeemed in full;
- (xxiv) *twenty-fourth*, to pay interest on any outstanding advances under the Subordinated Loan Facility and any amounts due to the Subordinated Lender;
- (xxv) *twenty-fifth*, prior to the Step-Up Date only, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the X2 Notes; and
- (xxvi) *twenty-sixth*, from (and including) the Step-Up Date only, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the R Notes.

(d) **Post-Enforcement Priority of Payments**

Following the occurrence of a Post-Enforcement Trigger Event, the Trustee shall, to the extent that such funds are available, use funds standing to the credit of the Transaction Account and Investment Account (after making payments of certain monies which properly belong to third parties) to make payments in the following order of priority pursuant to and in accordance with the Deed of Charge (the “**Post-Enforcement Priority of Payments**”):

- (i) *first*, to pay, *pro rata*, any remuneration then due to any receiver and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by such receiver together with interest thereon and to pay all amounts due to the Trustee in respect of the Trustee’s remuneration, fees (including legal fees), costs, charges, losses, damages, proceedings, claims, demands, expenses and liabilities due to the Trustee (plus value added tax, if any);
- (ii) *second*, to pay, *pro rata* and *pari passu*, the fees, costs, expenses and liabilities due to the Mortgage Administrator, the Mortgage Administration Facilitator, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Paying Agents, the Special Servicer, the Agent Bank, the Account Bank, the Collection Account Provider, the Corporate Services Provider, the GIC Provider, the Joint Lead Managers, the Arranger and the Investment Account Provider;
- (iii) *third*, to pay, *pro rata* and *pari passu*:
 - (A) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders) in accordance with Condition 4 (*Interest*); and
 - (B) amounts payable to the A Noteholders in respect of principal on the A Notes until the A Notes are redeemed in full;
- (iv) *fourth*, to pay, *pro rata* and *pari passu*:
 - (A) amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders) in accordance with Condition 4 (*Interest*); and
 - (B) amounts payable to the B Noteholders in respect of principal on the B Notes until the B Notes are redeemed in full;
- (v) *fifth*, to pay *pro rata* and *pari passu*:
 - (A) amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders) in accordance with Condition 4 (*Interest*); and
 - (B) amounts payable to the C Noteholders in respect of principal on the C Notes until the C Notes are redeemed in full;
- (vi) *sixth*, to pay *pro rata* and *pari passu*:
 - (A) amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders) in accordance with Condition 4 (*Interest*); and

- (B) amounts payable to the D Noteholders in respect of principal on the D Notes until the D Notes are redeemed in full;
- (vii) *seventh*, to pay *pro rata* and *pari passu*:
 - (A) amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders) in accordance with Condition 4 (*Interest*); and
 - (B) amounts payable to the E Noteholders in respect of principal on the E Notes until the E Notes are redeemed in full;
- (viii) *eighth*, to pay *pro rata* and *pari passu*:
 - (A) amounts (other than in respect of principal) payable in respect of the F1 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the F1 Noteholders) in accordance with Condition 4 (*Interest*); and
 - (B) amounts payable to the F1 Noteholders in respect of principal on the F1 Notes until the F1 Notes are redeemed in full;

and then to pay *pro rata* and *pari passu*

 - (C) amounts (other than in respect of principal) payable in respect of the F2 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the F2 Noteholders) in accordance with Condition 4 (*Interest*); and
 - (D) amounts payable to the F2 Noteholders in respect of principal on the F2 Notes until the F2 Notes are redeemed in full;

and then to pay *pro rata* and *pari passu*

 - (E) amounts (other than in respect of principal) payable in respect of the F3 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the F3 Noteholders) in accordance with Condition 4 (*Interest*); and
 - (F) amounts payable to the F3 Noteholders in respect of principal on the F3 Notes until the F3 Notes are redeemed in full;
- (ix) *ninth*, to pay *pro rata* and *pari passu*:
 - (A) amounts (other than in respect of principal) payable in respect of the Z Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Z Noteholders) in accordance with Condition 4 (*Interest*); and
 - (B) amounts payable to the Z Noteholders in respect of principal on the Z Notes until the Z Notes are redeemed in full;
- (x) *tenth*, to pay amounts owing to any third parties (if any);
- (xi) *eleventh*, to pay *pro rata* and *pari passu*:
 - (A) amounts (other than in respect of principal) payable in respect of the X1 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the X1 Noteholders) in accordance with Condition 4 (*Interest*); and

- (B) amounts payable to the X1 Noteholders in respect of principal on the X1 Notes until the X1 Notes are redeemed in full;
- (xii) *twelfth*, to repay advances under the Subordinated Loan Facility and any amounts due to the Subordinated Lender;
- (xiii) *thirteenth*, prior to the Step-Up Date only, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the X2 Notes; and
- (xiv) *fourteenth*, from (and including) the Step-Up Date only, to pay any remaining amounts *pro rata* and *pari passu* to the holders of the R Notes.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Condition 9(a) (*Events of Default*)) *provided that* if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the 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 of all amounts owing in respect of the Notes or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, 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 in respect of the Notes.

(e) **The R Notes**

Holders of the R Notes shall be entitled to receive their *pro rata* entitlement to the balance of amounts remaining following payments of all other items senior to the R Notes in the relevant Priorities of Payment.

3 Covenants of the Issuer

Save with the prior written consent of the Trustee or as expressly provided in or expressly envisaged by any of the Bank Agreement, the Collection Account Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Collection Accounts Declaration of Trust, the Corporate Services Agreement, the Custody Agreement, the Deed of Charge, the Investment Account Agreement, the Master Definitions Schedule, the Mortgage Administration Agreement, the Kayl/Issuer Mortgage Sale Agreement, the Retention Letter, each Scottish Declaration of Trust, each Supplemental Deed of Charge, the Paying Agency Agreement, the Special Servicer Agreement, the Trust Deed, the Issuer/ICSD Agreement, the GIC Agreement, the Subordinated Loan Agreement and any other document agreed between the Issuer and the Trustee as being a Transaction Document (together, the “**Transaction Documents**”), the Issuer shall not, so long as any Note remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) **Negative Pledge**

create or permit to subsist any mortgage, security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) **Restrictions on Activities**

- (i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (ii) open nor have any interest in any account whatsoever with any bank or financial institution other than the Collection Accounts and Bank Accounts held with the Collection Account Provider, Account Bank and the Investment Account Provider, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Condition 2 (*Status, Security and Administration*) and where the Trustee receives an acknowledgement from such bank

or financial institution of the security rights and interests of the Trustee and an agreement that it will not exercise any right of set-off it might otherwise have against the account in question;

(iii) have any subsidiaries or employees or premises; or

(iv) act as a director of any company;

(c) **Dividends or Distributions**

pay any dividend or make any other distribution to its shareholders save for the Issuer Turn;

(d) **Borrowings**

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person, other than the Subordinated Loan Agreement;

(e) **Merger**

consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

(f) **Disposal of Assets**

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over or present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein *provided that* the Issuer may (and may agree to) transfer, sell, lend, pledge, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein where the proceeds of the same are applied, *inter alia*, in or towards redemption of the Notes in accordance with the terms and conditions of the Notes and the terms of the Transaction Documents;

(g) **Tax Grouping**

be (and never has been) a member of a VAT (Value Added Tax) group;

(h) **Independent Director**

at any time have fewer than one independent director;

(i) **Other**

permit any of the Transaction Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these Conditions, or permit any party to any of the Transaction Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

4 Interest

(a) **Period of Accrual**

Each Note (other than the X2 Notes and the R Notes) of each class bears interest from (and including) the Issue Date. Each Note (other than the X2 Notes and the R Notes) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Condition (as well after as before any

judgment) up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Condition 14) (*Notice to Noteholders*) that it has received all sums due in respect of each such Note (except to the extent that there is any subsequent default in payment).

(b) **Interest Payment Dates and Interest Periods**

Subject to Condition 6 (*Payments*), interest on the Notes (and amounts (if any) on the X2 Notes and the R Notes) is payable on the Interest Payment Date falling in June 2015, and thereafter quarterly in arrear on the 15 day in March, June, September and December in each year unless such day is not a Business Day, in which case interest shall be payable on the following Business Day (each such date an “**Interest Payment Date**”). The period from (and including) an Interest Payment Date (or the Issue Date) to (but excluding) the next (or first) Interest Payment Date is called an “**Interest Period**” in these Conditions.

(c) **Floating Rate of Interest**

Subject to Condition 7 (*Prescription*), the Floating Rate of Interest (as defined below) payable from time to time and the Interest Amount (as defined below) in respect of the Floating Rate Notes will be determined on the basis of the provisions set out below:

- (i) on each Interest Determination Date), the Agent Bank will determine the offered quotation to leading banks in the London interbank market for three month sterling deposits, or, in the case of the first Interest Period, a linear interpolation of the offered quotations for two and three month sterling deposits in the London interbank market by reference to the Reuters Screen LIBOR01 Page (or (a) such other page as may replace the Reuters Screen LIBOR01 Page on that service for the purpose of displaying such information or (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace the Reuters Page LIBOR01) as at or about 11.00 a.m. (London time) on that date (the “**Screen Rate**”). If on the relevant Interest Determination Date the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in Condition 4(j) (*Reference Banks and Agent Bank*) below) to provide the Agent Bank with its offered quotation as at or about 11.00 a.m. (London time) on that date to leading banks for three month sterling deposits, or, in the case of the first Interest Period, such rates for two and three month sterling deposits shall be interpolated. The Floating Rate of Interest for such Interest Period shall, subject as provided below, be the aggregate of the Relevant Margin (as defined below) and the Screen Rate or, as the case may be, the arithmetic mean (rounded if necessary to the nearest 0.0001%, 0.00005% being rounded upwards) of the quotations of the Reference Banks;
- (ii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only two of the Reference Banks (as defined in Condition 4(j) (*Reference Banks and Agent Bank*) below) provide such quotations, the Floating Rate of Interest for the relevant Interest Period shall be determined on the basis of the quotations of the two quoting Reference Banks. If, on the relevant Interest Determination Date, the Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the Floating Rate of Interest for the relevant Interest Period in respect of the Notes shall be the Reserve Interest Rate. The “**Reserve Interest Rate**” shall be the rate per annum which the Agent Bank determines to be either (a) the aggregate of the Relevant Margin and the arithmetic mean (rounded if necessary to the nearest 0.0001% 0.00005%, being rounded upwards) of the lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date in respect of sterling, for the relevant Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are in the sole

opinion of the Agent Bank being so made or (b) if the Agent Bank notifies that it cannot determine such arithmetic mean, the aggregate of the Relevant Margin and the average of the lending rates in sterling which leading banks in London (selected in each case by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date to leading banks which have their head offices in London for the relevant Interest Period *provided that* if the Agent Bank notifies as aforesaid and further notifies that none of the banks selected as provided in Condition 4(j) (*Reference Banks and Agent Bank*) below is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Floating Rate of Interest in effect for the Interest Period ending on the relevant Interest Determination Date.

For the purposes of these Conditions:

“Floating Rate of Interest” means in relation to the Floating Rate Notes, the floating rate of interest as determined by the Agent Bank in accordance with this Condition 4 (*Interest*), provided that, where the Floating Rate of Interest applicable to any Class of Notes for any Interest Period is determined to be less than zero, the Floating Rate of Interest for such Interest Period shall be zero.

“Relevant Margin” shall be:

on any Interest Determination Date occurring prior to the Step-Up Date:

- (a) 1.15% per annum for the A Notes;
- (b) 1.65% per annum for the B Notes;
- (c) 2.00% per annum for the C Notes;
- (d) 2.50% per annum for the D Notes;
- (e) 3.35% per annum for the E Notes;
- (f) 4.50% per annum for the F1 Notes;
- (g) 4.50% per annum for the F2 Notes;
- (h) 4.50% per annum for the F3 Notes; and
- (i) 4.50% per annum for the Z Notes.

on any Interest Determination Date occurring after the Step-Up Date:

- (a) 1.73% per annum for the A Notes;
- (b) 2.48% per annum for the B Notes;
- (c) 3.00% per annum for the C Notes;
- (d) 3.50% per annum for the D Notes;
- (e) 4.35% per annum for the E Notes;
- (f) 6.75% per annum for the F1 Notes;
- (g) 6.75% per annum for the F2 Notes;
- (h) 6.75% per annum for the F3 Notes; and
- (i) 0.50% per annum for the Z Notes.

(d) **Fixed Rate of Interest**

The fixed rate of interest payable from time to time for the Fixed Rate Notes (the “**Fixed Rate of Interest**”) and the interest payable for each Interest Period (each payment so calculated, a “**Fixed Interest Payment**” in respect of the Fixed Rate Notes) will be determined on the basis of the following provisions:

On any Interest Determination Date, the Fixed Rate of Interest for the X1 Notes for any Interest Period will be equal to 5.00% per annum.

(e) **European Economic and Monetary Union**

If, as a result of the start of the third stage of EMU pursuant to the Treaty, it becomes impossible for the Agent Bank to determine the Floating Rate of Interest for any Interest Period in accordance with Condition 4(c)(i) above, the Floating Rate of Interest for each such interest Period shall be determined by the Agent Bank on the basis set out in Condition 4(c)(ii).

(f) **Determination of Floating Rates of Interest and Calculation of Interest Amount**

- (i) The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Special Servicer, the Trustee, the Irish Stock Exchange/Listing Agent and the Paying Agents of (a) the Floating Rate of Interest applicable to the relevant Interest Period in respect of each Floating Rate Note and (b) the amount of interest (the “**Interest Amount**”) payable in respect of each Note for such Interest Period.
- (ii) The Interest Amount for all Notes (other than the X Notes and the R Notes) will be calculated by applying the relevant Rate of Interest for such Interest Period to the Principal Amount Outstanding of such Note on the first day of such Interest Period (after taking into account any redemptions occurring in respect of such Notes on such Interest Payment Date), multiplying the product by the actual number of days in such Interest Period divided by 365 (or, if any portion of such Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion divided by 366 and (B) the actual number of days in the remainder of such Interest Period divided by 365) and rounding the resulting figure down to the nearest penny; *provided, however, that*, if the Floating Rate of Interest is determined by the Agent Bank pursuant to the provisions of Condition 4(e) (*European Economic and Monetary Union*) above, the Interest Amount payable in respect of each Note for any Interest Period to which such Floating Rate of Interest is applicable will instead be calculated by applying the Floating Rate of Interest for such Interest Period to the Principal Amount Outstanding of such Note during such Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure down to the nearest penny.
- (iii) The Interest Amount for the X1 Notes will be calculated by applying the Fixed Rate of Interest for such Interest Period to the Principal Amount Outstanding of the A Notes on the first day of such Interest Period (after taking into account any redemptions occurring in respect of the A Notes on such Interest Payment Date), multiplying the product by the actual number of days in such Interest Period (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days each) divided by 360 and rounding the resulting figure down to the nearest penny.

(g) **Publication of Floating Rate of Interest, Interest Amount and other Notices**

The Agent Bank will cause the Floating Rate of Interest and the Interest Amount in respect of each Note for each Interest Period and the immediately succeeding Interest Payment Date to be notified to the Issuer, the Trustee, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, each of the Paying Agents, any stock exchange on which the Notes are then listed and, so long as the Notes are in Global Form, each of Euroclear and Clearstream, Luxembourg and will cause notice thereof to be given to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*). The Floating Rate of Interest, Interest Amount and Interest Payment Date in respect of each Note so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9 (*Events of Default*), the accrued interest per Interest Amount and the Floating Rate of Interest payable in respect of each Note shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 4 (*Interest*) but no publication of the Rates of Interest or the amounts of interest payable per Interest Amount so calculated need be made unless the Trustee otherwise requires.

(h) **Determination or Calculation by Trustee**

If the Agent Bank does not at any time for any reason determine the Floating Rate of Interest and/or calculate the Interest Amount in accordance with the foregoing paragraphs, the Trustee shall (i) determine the Floating Rate of Interest at such rate 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/or (as the case may be) (ii) calculate the Interest Amount in the manner specified in Condition 4(a) (*Period of Accrual*) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank. For the avoidance of doubt, the Floating Rate of Interest applicable to any Class of Notes for any Interest Period as determined by the Trustee shall not be less than zero.

(i) **Notifications to be Final and Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 (*Interest*), whether by the Reference Banks (or any of them) or the Agent Bank or the Cash/Bond Administrator or the Trustee shall (in the absence of fraud, wilful default or negligence) be final and binding on the Issuer, the Cash/Bond Administrator, the Reference Banks, the Agent Bank, the Trustee and all Noteholders and (in such absence as aforesaid) no liability to the Trustee or the Noteholders shall attach to the Issuer, to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(j) **Reference Banks and Agent Bank**

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be three Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of each of Barclays Bank PLC, The Royal Bank of Scotland plc and HSBC Bank plc (the "**Reference Banks**"). The initial Agent Bank shall be Société Générale Bank & Trust. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or in the event of Société Générale Bank & Trust being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed.

(k) **Deferral of Interest**

Interest on the Notes shall be payable in accordance with this Condition 4 (*Interest*) and Condition 6 (*Payments*) subject to the following terms of this Condition 4(k):

- (i) in the event that, whilst there are A Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the B Notes on such Interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the “**B Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the B Notes on such Interest Payment Date, the amount payable to the B Noteholders on such Interest Payment Date, by way of interest on each B Note, shall be a *pro rata* share of the B Residual Amount; and
- (ii) in the event that, whilst there are A Notes and/or B Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the C Notes on any such interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the “**C Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the C Notes on such Interest Payment Date, the amount payable to the C Noteholders on such Interest Payment Date, by way of interest on each C Note, shall be a *pro rata* share of the C Residual Amount; and
- (iii) in the event that, whilst there are A Notes, B Notes and/or C Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the D Notes on any such interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the “**D Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the D Notes on such Interest Payment Date, the amount payable to the D Noteholders on such Interest Payment Date, by way of interest on each D Note, shall be a *pro rata* share of the D Residual Amount; and
- (iv) in the event that, whilst there are A Notes, B Notes, C Notes and/or D Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the E Notes on any such interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the “**E Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the E Notes on such Interest Payment Date, the amount payable to the E Noteholders on such Interest Payment Date, by way of interest on each E Note, shall be a *pro rata* share of the E Residual Amount; and
- (v) in the event that, whilst there are A Notes, B Notes, C Notes, D Notes and/or E Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the F1 Notes on any such interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the “**F1 Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the F1 Notes on such Interest Payment Date, the amount payable to the F1 Noteholders on such Interest Payment Date, by way of interest on each F1 Note, shall be a *pro rata* share of the F1 Residual Amount; and

- (vi) in the event that, whilst there are A Notes, B Notes, C Notes, D Notes, E Notes and/or F1 Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the F2 Notes on any such interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the “**F2 Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the F2 Notes on such Interest Payment Date, the amount payable to the F2 Noteholders on such Interest Payment Date, by way of interest on each F2 Note, shall be a *pro rata* share of the F2 Residual Amount; and
- (vii) in the event that, whilst there are A Notes, B Notes, C Notes, D Notes, E Notes, F1 Notes and/or F2 Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the F3 Notes on any such interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the “**F3 Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the F3 Notes on such Interest Payment Date, the amount payable to the F3 Noteholders on such Interest Payment Date, by way of interest on each F3 Note, shall be a *pro rata* share of the F3 Residual Amount; and
- (vii) in the event that, whilst there are A Notes, B Notes, C Notes, D Notes, E Notes and/or F Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the Z Notes on any such interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the “**Z Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the Z Notes on such Interest Payment Date, the amount payable to the Z Noteholders on such Interest Payment Date, by way of interest on each Z Note, shall be a *pro rata* share of the Z Residual Amount; and
- (viii) in the event that, whilst there are A Notes, B Notes, C Notes, D Notes, E Notes, F Notes and/or Z Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the X1 Notes on any such interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the “**X1 Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the X1 Notes on such Interest Payment Date, the amount payable to the X1 Noteholders on such Interest Payment Date, by way of interest on each X1 Note, shall be a *pro rata* share of the X1 Residual Amount.

In the event that, by virtue of the provisions of paragraphs (i) to (viii) of this Condition 4(k), a *pro rata* share of the B Residual Amount, the C Residual Amount, the D Residual Amount, the E Residual Amount, the F1 Residual Amount, the F2 Residual Amount, the F3 Residual Amount, the Z Residual Amount or the X1 Residual Amount is paid in accordance with this Condition 4(k), the Issuer shall create provisions in its accounts for the shortfall equal to the amount by which the amount of interest paid on the B Notes, the C Notes, the D Notes, the E Notes, the F1 Notes, the F2 Notes, the F3 Notes, the Z Notes or the X1 Notes as the case may be on any Interest Payment Date in accordance with this Condition 4(k) falls short of the aggregate amount of interest payable on the relevant class of Notes but for this Condition 4(k). Such shortfall (the “**Interest Shortfall**”) shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the relevant Rate of Interest for the relevant class of Notes for such Interest Period. A *pro rata* share of such shortfall thereon

shall be aggregated with the amount of, and treated for the purpose of this Condition 4(k) as if it were interest due, subject to this Condition 4(k), on each B Note, C Note, D Note, E Note, F1 Note, the F2 Notes, the F3 Notes, Z Note or X1 Note as the case may be, on the next succeeding Interest Payment Date. This provision shall cease to apply on the Interest Payment Date referred to in Condition 5(a) (*Final Redemption of the Notes*) at which time all accrued interest shall become due and payable.

The non-payment of any deferred interest on any Class of Notes will not be an Event of Default unless and until such Notes are the Most Senior Class at the time of such non-payment.

(l) **Determinations and Reconciliation**

- (i) In the event that the relevant Performance Report is not prepared with respect to a Determination Period (any such Determination Period being a “**relevant Determination Period**” for the purposes of this Condition 4(l)) immediately prior to an Interest Payment Date, then the Cash/Bond Administrator shall use the Monthly Reports in respect of the three most recent Determination Periods (or, where there are not at least three previous Monthly Reports, all previous Monthly Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 4(l). If the Performance Report relating to the Determination Period is subsequently received, the Cash/Bond Administrator will make the reconciliation calculations and reconciliation payments as set out in Condition 4(l)(iii). Any: (A) calculations properly done on the basis of such previous Monthly Reports; (B) payments made under any of the Notes and Transaction Documents in accordance with such calculations; (C) reconciliation calculations; and (D) reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 4(l)(ii), 4(l)(iii) and/or 4(l)(iv) shall be deemed to be done in accordance with the provisions of the Transaction Documents and will not in themselves lead to an Event of Default and no liability will attach to the Cash/Bond Administrator in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (ii) In respect of any relevant Determination Period, the Cash/Bond Administrator shall:
 - (A) determine the Interest Determination Ratio by reference to the three most recently received Monthly Reports (or, where there are not at least three previous Monthly Reports, all previous Monthly Reports received in the preceding Determination Periods);
 - (B) calculate the Revenue Receipts for such relevant Determination Period as the product of:
 - (I) the Interest Determination Ratio; and
 - (II) all payments received by the Issuer during such relevant Determination Period; and
 - (C) calculate the Principal Receipts for such relevant Determination Period as the product of:
 - (I) 1 minus the Interest Determination Ratio; and
 - (II) all payments received by the Issuer during such relevant Determination Period.
- (iii) Following any relevant Determination Period, upon delivery of the Monthly Reports in respect of such relevant Determination Period, the Cash/Bond Administrator shall reconcile the calculations made in accordance with Condition 4(l)(ii) above to the actual collections set out in the Monthly Reports as follows:

- (A) if the Reconciliation Amount is a positive number, the Cash/Bond Administrator shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Revenue Ledger as Available Principal Funds; and
 - (B) if the Reconciliation Amount is a negative number, the Cash/Bond Administrator shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Principal Ledger as Available Revenue Funds.
- (iv) If amounts standing to credit of the Revenue Ledger or Principal Ledger, as the case may be, are insufficient to pay or provide for the applicable Reconciliation Amount in full on the relevant Interest Payment Date the Cash/Bond Administrator shall reallocate amounts standing to the credit of the Revenue Ledger or Principal Ledger (as applicable) in accordance with Condition 4(l)(iii)(A) or 4(l)(iii)(B) respectively in respect of each subsequent Determination Period (such Reconciliation Amounts to be applied accordingly on the immediately following Interest Payment Date) until such Reconciliation Amount is paid or provided for in full.
 - (v) If the Cash/Bond Administrator is required to provide for a Reconciliation Amount in determining Available Revenue Funds and Available Principal Funds in respect of any Interest Payment Date, the Cash/Bond Administrator shall pay or provide for such Reconciliation Amount in accordance with the terms of the Cash/Bond Administration Agreement and the Cash/Bond Administrator shall promptly notify the Issuer and the Trustee of such Reconciliation Amount.

In this Condition 4(l):

“**Interest Determination Ratio**” means: (i) the aggregate Revenue Receipts calculated in the three preceding Monthly Reports (or such smaller number of preceding Monthly Reports as may be available on the date the Interest Determination Ratio is calculated); divided by (ii) the aggregate of the Revenue Receipts and the Principal Receipts calculated in such Monthly Reports;

“**Monthly Reports**” means the monthly report substantially in the form scheduled as Schedule 2 (Form of Reports) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer, KMC, the Special Servicer and the Trustee;

“**Reconciliation Amount**” means in respect of a relevant Determination Period: (i) the actual Principal Receipts as determined in accordance with the available Monthly Reports; less (ii) the Principal Receipts in respect of such relevant Determination Period, determined in accordance with Condition 4(l)(ii)(C);

“**Revenue Receipts**” means, in relation to a relevant Determination Period, the amount credited (or in relation to a relevant Determination Period, the actual amount that should have been credited) to the Revenue Ledger for such relevant Determination Period; and

“**Principal Receipts**” means, in relation to a relevant Determination Period, the amount credited (or in relation to a relevant Determination Period, the actual amount that should have been credited) to the Principal Ledger for such relevant Determination Period.

5 Redemption

(a) Final Redemption of the Notes

Unless previously redeemed as provided in this Condition 5 (*Redemption*), the Issuer shall, subject always to the Pre-Enforcement Priority of Payments and Conditions 5(d) (*Note Principal Payments, Principal Amount Outstanding and Pool Factor*) and 10(b) (*Limited Recourse*), redeem (i) the A Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in June 2046, (ii) the B

Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in June 2046, (iii) the C Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in June 2046, (iv) the D Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in June 2046, (v) the E Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in June 2046, (vi) the F Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in June 2046, (vii) the Z Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in June 2046, (viii) the X1 Notes at their Principal Amount Outstanding, together with accrued and unpaid interest, on the Interest Payment Date falling in June 2046, (ix) in the redemption of the X2 Notes on the Step-Up Date and (x) in the redemption of the R Notes on the Interest Payment Date falling in June 2046, *provided that* the X2 Notes and the R Notes shall be paid out of available residual amounts pursuant to the Post-Enforcement Priority of Payments.

The Issuer may not redeem Notes in whole or in part prior to that date except as provided in paragraphs (b), (c), (d), (e) or (f) of this Condition 5 (*Redemption*) but without prejudice to Condition 9 (*Events of Default*).

(b) **Mandatory Redemption of the Notes**

Prior to enforcement of the Security, on each Interest Payment Date, other than the Interest Payment Date on which the Notes are to be redeemed under paragraph (a) above or (d) or (e) below, the Issuer or the Cash/Bond Administrator on the Issuer's behalf shall apply an amount equal to the Available Principal Funds (as defined below) as at the date which falls two Business Days prior to such Interest Payment Date (each such date a "**Determination Date**") (less any amount of Available Principal Funds applied pursuant to the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date), in making the following redemptions in the following priority (the "**Pre-Enforcement Principal Priority of Payments**"):

- (i) *first*, to credit amounts to the Liquidity Reserve Fund Ledger up to the Liquidity Reserve Fund Required Amount (if not already topped up pursuant to the Pre-Enforcement Revenue Priority of Payments);
- (ii) *second*, in redeeming the A Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the A Notes have been redeemed in full;
- (iii) *third*, after the A Notes have been redeemed in full, in redeeming the B Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the B Notes have been redeemed in full;
- (iv) *fourth*, after the A Notes and the B Notes have been redeemed in full, in redeeming the C Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the C Notes have been redeemed in full;
- (v) *fifth*, after the A Notes, the B Notes and the C Notes have been redeemed in full, in redeeming the D Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the D Notes have been redeemed in full;
- (vi) *sixth*, after the A Notes, the B Notes, the C Notes and the D Notes have been redeemed in full, in redeeming the E Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the E Notes have been redeemed in full;
- (vii) *seventh*, after the A Notes, the B Notes, the C Notes, the D Notes and the E Notes have been redeemed in full, in redeeming the F1 Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the F1 Notes have been redeemed in full;

- (viii) *eighth*, after the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the F1 Notes have been redeemed in full, in redeeming the F2 Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the F2 Notes have been redeemed in full;
- (ix) *ninth*, after the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F1 Notes and the F2 Notes have been redeemed in full, in redeeming the F3 Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the F3 Notes have been redeemed in full;
- (x) *tenth*, after the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the F Notes have been redeemed in full, in redeeming the Z Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the Z Notes have been redeemed in full;
- (xi) *eleventh*, to repay any advances outstanding under the Subordinated Loan Facility and any interest thereon; and
- (xii) *twelfth*, to pay any remaining amounts to the holders of the R Notes.

The Cash/Bond Administrator is responsible, pursuant to the Cash/Bond Administration Agreement, for determining the amount of the Available Principal Funds as at any Determination Date and each determination so made shall (in the absence of negligence, fraud, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Mortgage Administrator, the Trustee and all Noteholders, and no liability to the Noteholders, shall attach to the Issuer, the Trustee or (in such absence as aforesaid) to the Cash/Bond Administrator in connection therewith.

The amount of “**Available Principal Funds**” as at any Determination Date is an amount calculated as the aggregate of:

- (i) the Principal Collections received for the preceding Determination Period;
- (ii) the proceeds of any Authorised Investments attributable to Principal Collections for the Determination Period immediately preceding the relevant Determination Date;
- (iii) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Interest Payment Date; and
- (iv) on the Determination Date immediately following the redemption in full of the E Notes, amounts standing to the credit of the Reserve Fund Ledger,

less any amounts of Available Principal Funds which are to constitute item (f) of Available Revenue Funds and any amounts which are requested by Borrowers for Borrow-Backs and which the Legal Title-Holder is obliged to pay.

The amount of £388,034.90, which is the amount by which the total issuance of the Rated Notes and the F Notes exceeds the consideration payable by the Issuer in respect of the sale of the Loans and Collateral Security, will be made part of the Available Principal Funds on the first Interest Payment Date.

The “**Principal Collections**” as at any Determination Date is an amount determined by the Cash/Bond Administrator on such Determination Date or is the aggregate of:

- (i) all repayments or prepayments of principal received by the Issuer in relation to the Loans in respect of the Determination Period ending on or immediately prior to such Determination Date;

- (ii) recoveries received by the Issuer and allocable to principal upon an enforcement of the Collateral Security, and recoveries received by the Issuer and allocable to principal upon a purchase or a repurchase of the Loans by the Seller or, failing whom, the Guarantor (or an affiliate thereof), in accordance with the terms of the Kayl/Issuer Mortgage Sale Agreement in each case received by the Issuer in the Determination Period preceding such Determination Date.

(c) **Note Principal Payments, Principal Amount Outstanding and Pool Factor**

With respect to each Note on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Cash/Bond Administrator to determine) (i) the amount of any principal amount due on the Interest Payment Date next following such Determination Date (a “**Note Principal Payment**”), (ii) the principal amount outstanding of each such Note of such Class on the Interest Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date) (the “**Principal Amount Outstanding**”) and (iii) the fraction expressed as a decimal to the sixth point (the “**Pool Factor**”), of which the numerator is the Principal Amount Outstanding of a Note of that Class (as referred to in (ii) above) and the denominator is 100,000. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of fraud, wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each of the Classes of Notes, the Issuer will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on one or more stock exchanges) the relevant stock exchanges, and will immediately cause notice of each such determination to be given in accordance with Condition 14 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no Note Principal Payment is due to be made on the Notes of any Class on any Interest Payment Date a notice to this effect will be given to the Noteholders. If the Issuer does not at any time for any reason determine (or cause the Cash/Bond Administrator to determine) with respect to each of the Classes of Notes, a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such determination may be made by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer and in the absence of fraud, wilful default, bad faith or manifest error shall be final and no liability to the Noteholders shall attach to the Trustee in connection with the exercise or non exercise by the Trustee of its powers, duties, determinations and discretions under this Condition 5 (*Redemption*).

(d) **Optional Redemption in Full**

- (i) *provided that:*
 - (A) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property to the holders of the Z Notes (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) as would be required to (I) redeem all of the A Notes to F3 Notes (inclusive) in full together with accrued and unpaid interest on such Notes; (II) redeem such Principal Amount Outstanding of the Z Notes as is equivalent to the amount credited to the Reserve Fund Ledger on the Issue Date, (III) pay amounts required under the Post-Enforcement Priority of Payments to be paid in priority to or *pari passu* with the Senior Notes on such Interest Payment Date and (IV) and any other costs associated with the exercise of the optional call; and
 - (B) on or prior to the Interest Payment Date on which such notice expires, no Enforcement Notice has been served following an Event of Default,

the Issuer may redeem the Senior Notes in whole, but not in part, on any Interest Payment Date on or after the Call Option Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) (which notice shall be irrevocable).

(ii) *provided that:*

(A) the aggregate Principal Amount Outstanding of the Senior Notes is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Senior Notes upon issue;

(B) the Issuer delivers to the Trustee a certificate signed by two directors of the Issuer stating that it will on the date for redemption have the necessary funds from a sale of the Charged Property to the holders of the Z Notes (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Issuer) required to redeem the Senior Notes in full such amount being equal to or greater than an amount being the aggregate of (a) the aggregate Principal Amount Outstanding of the Senior Notes on the relevant Interest Payment Date on which the Senior Notes are to be redeemed; (b) the accrued interest on the Senior Notes on the relevant Interest Payment Date on which the Senior Notes are to be redeemed; (c) if there is a shortfall between the amount standing to the credit of the Reserve Fund Ledger as at the relevant Interest Payment Date and the Reserve Fund Required Amount, an amount equal to that shortfall; and (d) amounts required under the then applicable Priority of Payments to be paid in priority to or *pari passu* with the Senior Notes on such Interest Payment Date; and

(C) on or prior to the Interest Payment Date on which such notice expires, no Enforcement Notice has been served following an Event of Default, the Issuer may redeem the Notes in whole, but not in part, on any Interest Payment Date, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) (which notice shall be irrevocable).

(iii) Any Note redeemed pursuant to this Condition 5(d) (*Optional Redemption in Full*) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

(e) **Optional Redemption for Taxation or Other Reasons**

If by reason of a change in or amendment to tax law (or regulation or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, on the next Interest Payment Date, the Issuer or any Paying Agent has or will become obliged to deduct or withhold from any payment of principal or interest on any Class of the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of Notes of such Class) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein, then the Issuer shall, if the same would avoid the effect of such relevant event described in this paragraph (e), 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 as principal debtor under the Notes, *provided that* the Trustee is satisfied that such substitution will not be materially prejudicial to the holders of the Most Senior Class and *provided further that* if any of the taxes referred to in this Condition 5(e) arise in connection with FATCA, the requirement to avoid the effect of any event described above shall not apply.

If the Issuer satisfies the Trustee immediately before giving the notice referred to below that one or more of the events described in this paragraph (e) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 45 nor less than 30 days' notice to the Trustee and Noteholders in accordance with Condition 14 (*Notice to Noteholders*) redeem all (but not some only) of the Notes on the next following Interest Payment Date at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption *provided that* (in either case), prior to giving any such notice, the Issuer shall have provided to the Trustee (i) a certificate signed by a director of the Issuer stating that one or more of the circumstances referred to in this paragraph (e) above prevail(s) and setting out details of such circumstances and (ii) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer and any Paying Agent (as the case may be) has or will become obliged to deduct or withhold amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Noteholders.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Pre-Enforcement Revenue Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the terms and conditions thereof.

(f) **Notice of Redemption**

Any such notice as is referred to in paragraph (d) or (e) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at the Principal Amount Outstanding, plus accrued and unpaid interest, of the relevant Note.

(g) **Purchase**

The Issuer shall not purchase any Notes.

(h) **Cancellation**

All Notes redeemed will be cancelled upon redemption, and may not be resold or re-issued.

6 **Payments**

(a) **Method of Payment**

Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent outside the United States by transfer to a sterling-denominated account maintained by the payee with a bank in London. Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.

(b) **Payments subject to laws**

All payments are subject in all cases to any applicable laws and regulations in the place of payment or other laws to which the Issuer or the Agents agree to be subject and the Issuer and the Agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(c) **Unmatured Coupons**

Upon the due date for redemption of any Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(d) **Payments on business days**

If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place, and shall not be entitled to any further interest or other payment in respect of such delay. In this paragraph, “business day” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a sterling-denominated account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.

(e) **Paying Agents**

The initial Paying Agent and its initial specified office is listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, *provided that* it will maintain (i) a Principal Paying Agent, and (ii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

The initial specified office of the Paying Agent is at:

Principal Paying Agent
Société Générale Bank & Trust
11 Avenue
Emile Reuter
L-2420 Luxembourg

Notice of any change in the Paying Agents or their specified offices will promptly be given to the Trustee and the Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

(f) **Incorrect Payments**

The Cash/Bond Administrator will, from time to time, notify Noteholders in accordance with the terms of Condition 14 (*Notice to Noteholders*) of any over-payment or under-payment of which it has actual notice made on any Interest Payment Date to any party entitled to the same pursuant to the Pre-Enforcement Priority of Payments. Following the giving of such a notice, the Cash/Bond Administrator shall rectify such over-payment or under-payment by increasing or, as the case may be decreasing payments to the relevant parties on any subsequent Interest Payment Date or Interest Payment Dates (if applicable) to the extent required to correct the same. Any notice of over-payment or under-payment pursuant to this Condition shall contain reasonable details of the amount of the same, the relevant parties and the adjustments to be made to future payments to rectify the same. Neither the Issuer nor the Cash/Bond Administrator shall have any liability to any person for making any such correction.

7 Prescription

Claims in respect of principal and interest shall become void unless made within a period of 10 years, in the case of principal, and five years, in the case of interest, from the appropriate relevant date on which such sums became due and payable. After the date on which a Note becomes void in its

entirety, no claim may be made in respect thereof. In this Condition 7 (*Prescription*), the “**relevant date**”, in respect of a Note or Coupon is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Notes and Coupons due on or before that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which the full amount of such monies having been so received, notice to that effect having been duly given to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

8 **Taxation**

All payments in respect of the Notes and the Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes and the Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature or in connection with FATCA. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, the Principal Paying Agent, any other Paying Agent, nor any other person will be obliged to make any additional payments to holders of Notes or Coupons in respect of such withholding or deduction including FATCA.

“**FATCA**” means Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereto, any official interpretations thereof or any law implementing an intergovernmental approach thereto.

9 **Events of Default**

- (a) After the occurrence of any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and (subject to it being indemnified and/or secured (including by way of prefunding) to its satisfaction) if so requested in writing by holders of at least 25% of the aggregate in Principal Amount Outstanding of the Most Senior Class or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Most Senior Class, shall give notice to the Issuer (an “**Enforcement Notice**”) that the Notes are, and they shall immediately become, due and payable at their Principal Amount Outstanding together with accrued interest:
- (i) default being made for a period of 10 Business Days in the payment of the principal of or any interest on the Most Senior Class when and as the same ought to be paid in accordance with these Conditions; or
 - (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or the Trust Deed, as applicable, and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
 - (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or
 - (iv) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the holders of the Most Senior Class; or
 - (v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including,

but not limited to, presentation of a petition or filing documents with the court or making an application for the appointment of an administrator or liquidator or serving a notice of intent to appoint an administrator) and such proceedings not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally; or

- (vi) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Transaction Documents.

provided that, in the case of each of the events described in sub-paragraph (ii), (iii) or (v) of this paragraph (a), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class.

- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Notes are due and repayable, the Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

10 Enforcement of Notes, Limited Recourse and Non-Petition

(a) Enforcement of Notes

At any time after the Notes have become due and repayable and without prejudice to its rights of enforcement in relation to the Security, the Trustee may, in its absolute discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Notes together with accrued interest, but it shall not be bound to take any such proceedings unless:

- (a) it shall have been so requested in writing by holders of at least 25% of the aggregate in Principal Amount Outstanding of the Most Senior Class or if so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes *provided that*:
 - (i) no Extraordinary Resolution of the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders, the F Noteholders, the Z Noteholders, the X Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the A Noteholders or a request in writing by the A Noteholders to the same effect or none of the A Notes remain outstanding;
 - (ii) no Extraordinary Resolution of the C Noteholders, the D Noteholders, the E Noteholders, the F Noteholders, the Z Noteholders, the X Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the B Noteholders or a request in writing by the B Noteholders to the same effect or none of the B Notes remain outstanding;
 - (iii) no Extraordinary Resolution of the D Noteholders, the E Noteholders, the F Noteholders, the Z Noteholders, the X Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the C Noteholders or a request in writing by the C Noteholders to the same effect or none of the C Notes remain outstanding;

- (iv) no Extraordinary Resolution of the E Noteholders, the F Noteholders, the Z Noteholders, the X Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the D Noteholders or a request in writing by the D Noteholders to the same effect or none of the D Notes remain outstanding;
 - (v) no Extraordinary Resolution of the F Noteholders, the Z Noteholders, the X Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the E Noteholders or a request in writing by the E Noteholders to the same effect or none of the E Notes remain outstanding;
 - (vi) no Extraordinary Resolution of the F2 Noteholders, the F3 Noteholders, the Z Noteholders, the X Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the F1 Noteholders or a request in writing by the F1 Noteholders to the same effect or none of the F1 Notes remain outstanding;
 - (vii) no Extraordinary Resolution of the F3 Noteholders, the Z Noteholders, the X Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the F2 Noteholders or a request in writing by the F2 Noteholders to the same effect or none of the F2 Notes remain outstanding;
 - (viii) no Extraordinary Resolution of the Z Noteholders, the X Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the F3 Noteholders or a request in writing by the F3 Noteholders to the same effect or none of the F3 Notes remain outstanding;
 - (ix) no Extraordinary Resolution of the X Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the Z Noteholders or a request in writing by the Z Noteholders to the same effect or none of the Z Notes are outstanding; and
 - (x) no Extraordinary Resolution of the X2 Noteholders or the R Noteholders shall be effective unless there is an Extraordinary Resolution of the X1 Noteholders or a request in writing by the X1 Noteholders to the same effect or none of the X1 Notes are outstanding; and
 - (xi) no Extraordinary Resolution of the R Noteholders shall be effective unless there is an Extraordinary Resolution of the X2 Noteholders or a request in writing by the X2 Noteholders to the same effect or none of the X2 Notes are outstanding; and
- (b) it shall have been indemnified and/or secured (including by way of pre-funding) to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

(b) **Limited Recourse**

(i) **Enforcement of Security**

Only the Security Trustee may enforce the Security over the Charged Property in accordance with, and subject to the terms of, the Deed of Charge.

(ii) **Insufficient Recoveries**

If, or to the extent that, after the Charged Property has been realised and the proceeds thereof have been applied in accordance with the applicable Priority of Payments,

either (x) the amounts recovered on realisation of the Charged Property are insufficient to pay or discharge amounts due from the Issuer to the Noteholders in full for any reason or (y) the principal amount outstanding has not been fully repaid on the A Notes to the X1 Notes, the Issuer will have no liability to pay or otherwise make good any such insufficiency or shortfall.

(iii) **Noteholder Acknowledgments**

Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that:

- (A) in the event of realisation or enforcement of the Charged Property, its right to obtain payment of interest and repayment of principal on the Notes in full is limited to recourse against the undertaking, property and assets of the Issuer comprised in the Charged Property;
- (B) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Noteholder its proportion of the proceeds of realisation or enforcement of the Charged Property in accordance with the Post-Enforcement Priority of Payments and all claims in respect of any shortfall will be extinguished and discharged; and
- (C) in the event that a shortfall in the amount available to pay principal of the Notes of a Class exists on the Final Maturity Date or on any earlier date for redemption in full of the Notes or any Class of Notes, after payment on the Final Maturity Date or such date of earlier redemption of all other claims ranking higher in priority to or *pari passu* with the Notes or the related Class of Notes, and the Charged Property has not become enforceable as at the Final Maturity Date or such date of earlier redemption, the liability of the Issuer to make any payment in respect of such shortfall will cease and all claims in respect of such shortfall will be extinguished.

(c) **Non-Petition**

No Noteholder may take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing or for the appointment of a liquidator, receiver, administrative receiver, administrator, trustee, manager or similar officer in respect of the Issuer or over any or all of its assets or undertaking.

11 Meetings of Noteholders; Modifications; Consents; Waiver

- (a) The Trust Deed contains provisions for convening meetings of the Noteholders of a particular Class to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the other Transaction Documents.

The Trust Deed provides that a resolution in writing signed by all of the holders of a particular Class of Notes by a majority consisting of not less than 50.1% by Principal Amount Outstanding of such Class of Notes shall for all purposes be as valid and effective as an Ordinary Resolution passed at a meeting of the Noteholders of such Class duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the Noteholders of such Class.

The Trust Deed provides that a resolution in writing signed by all of the holders of at least 75% by Principal Amount Outstanding of a Class of Notes shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders of such Class duly convened and held. Such a resolution in writing may be contained in one

document or several documents in the same form, each signed by or on behalf of one or more of the Noteholders of such Class.

- (b) Any Extraordinary Resolution or an Ordinary Resolution duly passed by a meeting of the Noteholders of a particular Class shall be binding on all Noteholders of such Class (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders of such Class.

An Extraordinary Resolution passed at a meeting of the holders of the Most Senior Class shall be binding on the holders of all other Classes of Notes irrespective of the effect on them, except an Extraordinary Resolution of the holders of the Most Senior Class to sanction a Basic Terms Modification, which shall not take effect unless it has also been sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes affected or the Trustee approves under Condition 11(e) (*Modification and Waiver*).

An Extraordinary Resolution (subject to the foregoing) of a Class of Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of any More Senior Class of Notes or it is sanctioned by an Extraordinary Resolution of the holders of such More Senior Class of Notes. Except in certain circumstances the Trust Deed imposes no such limitations on the powers of the holders of any Class of Notes the exercise of which will be binding on themselves and any junior Class of Notes, irrespective of the effect on their interests.

The Trust Deed provides that:

- (i) meetings of Noteholders of separate Classes may be held at the same time;
- (ii) meetings of Noteholders of separate Classes will normally be held separately, but the Trustee may from time to time determine that meetings of Noteholders of separate Classes shall be held together;
- (iii) an Ordinary Resolution or an Extraordinary Resolution that in the opinion of the Trustee affects one Class alone shall be deemed to have been duly passed if passed at a separate meeting of the Noteholders of the Class concerned;
- (iv) an Extraordinary Resolution that in the opinion of the Trustee affects the Noteholders of more than one Class but does not give rise to a conflict of interest between the Noteholders of the different Classes concerned shall be deemed to have been duly passed if passed at a single meeting of the Noteholders of the relevant Classes; and
- (v) subject to paragraph (vi) below, an Extraordinary Resolution that in the opinion of the Trustee affects the Noteholders of more than one Class and gives or may give rise to a conflict of interest between the Noteholders of the different Classes concerned shall be deemed to have been duly passed only if it shall be duly passed at separate meetings of the Noteholders of each of the relevant Classes;
- (vi) an Extraordinary Resolution passed at a meeting of the holders of the Most Senior Class shall be binding on the holders of all other Classes of Notes irrespective of the effect on them, except that an Extraordinary Resolution of the holders of the Most Senior Class to sanction a Basic Terms Modification shall not take effect unless it has also been sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes or the Trustee; and
- (vii) if a poll is called at a meeting of a Class of Noteholders, the number of votes which can be cast by each person present shall be proportionate to the Principal Amount Outstanding of the Notes of such Class that such person holds or represents at that meeting.

The Issuer, the Trustee or the Cash/Bond Administrator may propose an Extraordinary Resolution or an Ordinary Resolution, in addition to an Extraordinary Resolution relating to a Basic Terms Modification.

(c) **Negative consent**

In relation to an Extraordinary Resolution (other than an Extraordinary Resolution relating to a Basic Terms Modification) or an Ordinary Resolution of the Noteholders of any Class of Noteholders, such Extraordinary Resolution or Ordinary Resolution is duly passed and shall be binding on all of the Noteholders or the Noteholders of such Class in accordance with its terms where:

- (i) notice of such Extraordinary Resolution or Ordinary Resolution, as applicable, (including the full text of the same) has been given by the Issuer, the Trustee or the Cash/Bond Administrator, to the Noteholders or the Noteholders of such Class in accordance with the provisions of Condition 14 (*Notice to Noteholders*);
- (ii) such notice contains a statement requiring such Noteholders to inform the Trustee via the Clearing Systems and the Principal Paying Agent in writing if they object to such Extraordinary Resolution or Ordinary Resolution, stating that unless holders of (i) in the case of an Extraordinary Resolution, 10% or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class; or (ii) in the case of an Ordinary Resolution, 15% or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class, makes such objection, the Extraordinary Resolution (other than an Extraordinary Resolution relating to a Basic Terms Modification) or Ordinary Resolution will be deemed to be passed by the Noteholders or the Noteholders of such Class and specifying the requirements for the making of such objections (including addresses, email addresses and deadlines) further as set out in the following paragraph; and
- (iii) holders of (i) in the case of an Extraordinary Resolution, 10% or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class or (ii) in the case of an Ordinary Resolution, 15% or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class, have not informed the Trustee via the Clearing Systems and the Principal Paying Agent in writing of their objection to such Extraordinary Resolution or Ordinary Resolution within 40 days of the date of the relevant notice.

Upon the Trustee receiving objections from Noteholders of 10% or more (in the case of an Extraordinary Resolution) or 15% or more (in the case of an Ordinary Resolution) in aggregate of the Principal Amount Outstanding of the Notes of the relevant Class or Classes, the Trustee shall give notice to the relevant Class or Classes of Noteholders in accordance with the provisions of Condition 14 (*Notice to Noteholders*) that the relevant Extraordinary Resolution or the Ordinary Resolution (as the case may be) has not passed. In such circumstance, a meeting of Noteholders may be called in accordance with the provisions of this Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) in order to pass the relevant Extraordinary Resolution or Ordinary Resolution in accordance with the provisions of this Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*).

(d) **Quorum**

The quorum at any meeting of Noteholders of a particular Class for passing:

- (i) an Extraordinary Resolution to approve a Basic Terms Modification, shall be two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than (x) 75% of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting or (y) a clear majority of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting;

- (ii) an Extraordinary Resolution to approve any matter other than a Basic Terms Modification, shall be two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than (x) a clear majority of the Principal Amount Outstanding of the Notes of such Class or (y) 25% of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting; and
- (iv) an Ordinary Resolution, shall be two or more persons holding Notes or representing Noteholders holding Notes of in aggregate not less than (x) 25% of the Principal Amount Outstanding of the relevant Class(es) of Notes for the initial meeting and (y) 10% of the Principal Amount Outstanding of the relevant Class(es) of Notes for the adjourned meeting.

(e) **Modification and Waiver**

The Trustee may agree, without the consent or sanction of any of, or any liability to, the Noteholders or Couponholders, to:

- (i) (I) any modification of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation, and (II) any other modification (excluding a Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Notes of such Class, of any of the provisions of the Trust Deed, the Conditions or any of the other Transaction Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the holders of the Most Senior Class (other than any Noteholders of the Most Senior Class who have confirmed their consent in writing to the relevant modification, waiver or authorisation);
- (ii) determine that an Event of Default or Potential Event of Default will not be treated as such where in the opinion of the Trustee such waiver, authorisation or determination is not materially prejudicial to the interests of the holders of the Most Senior Class (other than any holders of the Most Senior Class who have confirmed their consent in writing to the relevant waiver, authorisation or determination); or
- (iii) any modification of any of the provisions of the Transaction Documents which in the opinion of the Trustee are necessary to facilitate the appointment of a replacement Mortgage Administrator selected by the Mortgage Administration Facilitator in accordance with the terms of the Mortgage Administration Agreement,

provided that the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution of holders of the Most Senior Class or a request made pursuant to Condition 9 (*Events of Default*). Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, the Issuer will arrange for it to be notified to the Noteholders as soon as practicable.

(f) **Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as are set out in the Trust Deed or as the Trustee may otherwise require, but without the consent of, or any liability to, the Noteholders or the Couponholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed *provided that* such change would not in the opinion of the Trustee be materially prejudicial to the interests of the holders of the Most Senior Class.

(g) **Evidence of Notes**

Where for the purposes of these Conditions the Trustee or any other party to the Transaction Documents requires a Noteholder holding Notes through Euroclear or Clearstream, Luxembourg to establish its holding of the Notes to the satisfaction of such party, such holding shall be considered to be established (and the Noteholder in respect of which such holding is established shall be a “**Verified Noteholder**”) if such Noteholder provides to the requesting party with regard to the relevant date:

- (i) a Euclid Statement (in the case of Euroclear) or a Creation Online Statement (in the case of Clearstream, Luxembourg) in each case providing confirmation at the time of issue of the same of such person’s holding in the Notes; and
- (ii) if the relevant Notes are held through one or more custodians, a signed letter dated as of the date of the Euclid Statement or the Creation Online Statement from each such custodian confirming on whose behalf it is holding such Notes such that the Trustee or any other party to the Transaction Documents is able to verify to its satisfaction the chain of ownership to the beneficial owner.

If in connection with verifying its holding the Trustee or any other party to the Transaction Documents requires a Noteholder to temporarily block its Notes in Euroclear or Clearstream, Luxembourg, such Noteholder will be required to instruct Euroclear or Clearstream, Luxembourg (via its custodian) to do so.

(h) **Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*)) the Trustee:

- (i) shall have regard to the interests of the Noteholders (or, as applicable, the Noteholders of a particular Class) as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders; and
- (ii) may, in determining whether or not a proposed action will be materially prejudicial to the Noteholders (or, as applicable, the Noteholders of a particular Class), have regard to, among other things, a Rating Agency Confirmation.

12 Indemnification and Exoneration of the Trustee

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured (including by way of prefunding) to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Special Servicer and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator or the Standby Cash/Bond Administrator (as the case may be), the Special Servicer or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee. The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Cash/Bond Administrator or the Special Servicer with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

13 Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent, as listed in Condition 6(e) (*Paying Agents*) above, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (*provided that* the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

14 Notice to Noteholders

(a) Forms of Notice

All notices, other than notices given in accordance with any one or more of the following paragraphs of this Condition 14 (*Notice to Noteholders*), to Noteholders shall be deemed to have been validly given if:

- (i) for so long as the Notes are listed on a stock exchange, and the rules of such stock exchange and the Market Abuse Directive so require, or at the option of the Issuer, if delivered through the announcements section of the relevant stock exchange and a regulated information service maintained or recognised by such stock exchange; and
- (ii) for so long as the Notes are represented by Global Notes, and if, for so long as the Notes are listed on a stock exchange, the rules of such stock exchange so allow if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders; and
- (iii) for so long as the Notes are represented by Global Notes and if, for so long as the Notes are listed on a stock exchange, rules of such stock exchange so allow if delivered to the electronic communications systems maintained by Bloomberg L.P. for publication on the relevant page for the Notes or such other medium for the electronic display of data as may be previously approved in writing by the Trustee; or
- (iv) if the Notes are in definitive form, if published in a leading daily newspaper printed in the English language and with general circulation in Ireland (which is expected to be *The Irish Times*) or, if that is not practicable, in such English language newspaper or

newspapers as the Trustee shall approve having a general circulation in Ireland and the rest of Europe.

Any such notice shall be deemed to have been given on:

- (i) in the case of a notice delivered to the regulated information service of a stock exchange, the day on which it is delivered to such stock exchange;
- (ii) in the case of a notice delivered to Euroclear and/or Clearstream, Luxembourg, the day on which it is delivered to Euroclear and/or Clearstream, Luxembourg;
- (iii) in the case of a notice delivered to Bloomberg L.P., the day on which it is delivered to Bloomberg L.P.; and
- (iv) in the case of a notice published in a newspaper, 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 publication is required.

If it is impossible or impractical to give notice in accordance with paragraphs (i), (ii) or (iii) of Condition 14(a) (*Notice to Noteholders*) then notice of the relevant matters shall be given in accordance with paragraph (iv) of Condition 14(a) (*Notice to Noteholders*).

(b) **Other Methods**

The Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and *provided that* notice of that other method is given to the Noteholders in the manner required by the Trustee.

(c) **Notices to Irish Stock Exchange and Rating Agencies**

A copy of each notice given in accordance with this Condition 14 (*Notice to Noteholders*) shall be provided to the Rating Agencies and, for so long as the Notes are listed on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, the Irish Stock Exchange.

(d) **Noteholder Notices**

Any Verified Noteholder shall be entitled from time to time to request the Cash/Bond Administrator to post a notice on its investor reporting website requesting other Verified Noteholders of any class or classes to contact it subject to and in accordance with the following provisions.

Following receipt of a request for the publication of a notice from a Verified Noteholder (the “**Initiating Noteholder**”), the Cash/Bond Administrator (or the Standby Cash/Bond Administrator subject to the Standby Cash/Bond Administrator receiving confirmation from the Cash/Bond Administrator that such person is a Verified Noteholder pursuant to Condition 11(g) (*Evidence of Notes*) above)) shall publish such notice on its investor reporting website as an addendum to any Performance Report or other report to Noteholders due for publication within five Business Days of receipt of the same (or, if there is no such report, through a special notice for such purpose as soon as is reasonably practical after receipt of the same) *provided that* such notice contains no more than:

- (i) an invitation to other Verified Noteholders (or any specified class or classes of the same) to contact the Initiating Noteholder;
- (ii) the name of the Initiating Noteholder and the address, phone number, website or email address at which the Initiating Noteholder can be contacted; and
- (iii) the date(s) from, on or between which the Initiating Noteholder may be so contacted.

The Cash/Bond Administrator or the Standby Cash/Bond Administrator (as the case may be) shall not request any further or different information through this mechanism.

The Cash/Bond Administrator or the Standby Cash/Bond Administrator (as the case may be) shall have no responsibility or liability for the contents, completeness or accuracy of any such published information and shall have no responsibility (beyond publication of the same in the manner described above) for ensuring Noteholders receive the same.

15 Governing Law

The Transaction Documents and the Notes 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 (other than those Transaction Documents specific to the Scottish Mortgages, which shall be governed by and construed in accordance with Scots law).

16 European Economic and Monetary Union

(a) Notice of redenomination

The Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders, the Trustee and the Principal Paying Agent, designate a date as a redenomination date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which the United Kingdom becomes a Participating Member State.

(b) Redenomination

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the redenominated notes (the "**Redenominated Notes**") shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Redenominated Note equal to the principal amount of that Redenominated Note in pounds sterling, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations), *provided, however, that*, if the Issuer determines, with the agreement of the Trustee, that then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Principal Paying Agent of such deemed amendments;
- (ii) if Redenominated Notes have been issued in definitive form:
 - (A) the payment obligations contained in all Redenominated Notes denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 16 (*European Economic and Monetary Union*)) shall remain in full force and effect; and
 - (B) new Redenominated Notes denominated in Euro will be issued in exchange for Redenominated Notes denominated in sterling in such manner as the Issuer may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Redenominated Notes (other than, unless the Redenomination Date is on or after such date as the sterling ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or

by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities; and

- (iv) a Redenominated Note relating thereto may only be presented for payment on a day which is a business day in the place of presentation.

In this Condition 16 (*European Economic and Monetary Union*), “**Euro Exchange Date**” means the date on which the Issuer gives notice to the Noteholders and the Trustee (such notice, the “**Euro Exchange Notice**”) that replacement Notes denominated in Euro are available for exchange (*provided that* such Notes are available) and “business day” means, in respect of any place of presentation, any day which is a day on which commercial banks are open for general business in such place of presentation.

17 Privity of Contract

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the Notes but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18 Interpretation

In these Conditions:

“**Basic Terms Modification**” means any modification to (a) the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (b) any reduction of the amount due in respect of or cancellation of the principal amount of, or interest on or variation of the method of calculating the rate of interest on, the Notes, (c) the priority of payment of interest or principal on the Notes, (d) the currency of payment of the Notes or the Coupons, (e) the definition of Basic Terms Modification or (f) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Basic Terms Modification or to pass an Extraordinary Resolution;

“**Business Day**” means, a day on which commercial banks and foreign exchange markets settle payments in London and Ireland;

“**EMU**” means the European Economic and Monetary Union;

“**Enforcement Notice**” means a notice given by the Trustee to the Issuer under Condition 9 (*Events of Default*) of the Notes;

“**Euro**” means the single currency introduced at the start of the third stage of EMU pursuant to the Treaty;

“**Eurozone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam;

“**Most Senior Class**” means the A Notes for so long as there are any A Notes outstanding; thereafter the B Notes for so long as there are any B Notes outstanding; thereafter the C Notes for so long as there are any C Notes outstanding; thereafter the D Notes for so long as there are any D Notes outstanding; thereafter the E Notes for so long as there are any E Notes outstanding; thereafter the F1 Notes for so long as there are any F1 Notes outstanding; thereafter the F2 Notes for so long as there are any F2 Notes outstanding; thereafter the F3 Notes for so long as there are any F3 Notes outstanding; thereafter the Z Notes for so long as there are any Z Notes outstanding; thereafter the X1 Notes for so long as there are any X1 Notes outstanding; thereafter the X2 Notes for so long as there are any X2 Notes outstanding and thereafter the R Notes for so long as there are any R Notes outstanding;

“**Participating Member State**” means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

“Rating Agencies” means S&P and Moody’s and **“Rating Agency”** means either of them; and

“Treaty” means the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes (other than in relation to the comments below concerning stamp taxes). The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes and the stamp tax position of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

United Kingdom Withholding Tax

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Main Securities Market of the Irish Stock Exchange are regarded as "listed on a recognised stock exchange" for these purposes.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Provision of Information

HMRC has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the Noteholders, persons by (or via) whom payments derived from the Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, 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 its jurisdiction to or for the benefit of an individual resident in that other Member State or certain limited types of entities established in that other Member State.

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

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

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).

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on the transfer of a Note in accordance with the terms of the Transaction Documents.

Other Rules Relating to United Kingdom Withholding Tax

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Note Condition 11(f) (*Substitution*) or otherwise and does not consider the tax consequences of any such substitution.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE

FATCA imposes a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a “**foreign financial institution**”, or “**FFI**” (as defined by FATCA)) that does not become a “**Participating FFI**” by entering into an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of the Issuer (a “**Recalcitrant Holder**”). The Issuer may be classified as an FFI.

The new withholding regime is currently in effect for payments from sources within the United States and will apply to “**foreign passthru payments**” (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued 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 payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

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

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

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

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

PURCHASE AND SALE

This Prospectus has been approved by the Central Bank of Ireland as the Irish competent authority under the Prospectus Directive. The Central Bank of Ireland has only approved this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list and trading on its regulated market.

This Prospectus has been filed with the Irish Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

The Joint Lead Managers, the Issuer and the Seller have entered into a note purchase agreement (the “**Note Purchase Agreement**”) pursuant to which the Joint Lead Managers has agreed to purchase or procure purchasers for the Notes (other than the notes to be retained by the Seller to comply with the Retention Requirement, the X Notes and the R Notes) (the “**Subscribed Notes**”).

On the Issue Date, the Issuer will issue:

- (a) the A Notes at an issue price of 100.00% of the principal amount of the A Notes;
- (b) the B Notes at an issue price of 100.00% of the principal amount of the B Notes;
- (c) the C Notes at an issue price of 100.00% of the principal amount of the C Notes;
- (d) the D Notes at an issue price of 100.00% of the principal amount of the D Notes;
- (e) the E Notes at an issue price of 100.00% of the principal amount of the E Notes;
- (f) the F1 Notes at an issue price of 100.00% of the principal amount of the F1 Notes;
- (g) the F2 Notes at an issue price of 100.00% of the principal amount of the F2 Notes;
- (h) the F3 Notes at an issue price of 100.00% of the principal amount of the F3 Notes; and
- (i) the Z Notes at an issue price of 100.00% of the principal amount of the Z Notes.

On the Issue Date, the Issuer will also issue the X1 Notes, the X2 Notes and the R Notes. These will be initially retained by the Seller and its affiliates.

The Issuer has agreed in the Note Purchase Agreement to reimburse and indemnify the Joint Lead Managers for certain of their expenses and liabilities in connection with the issue of Notes.

The Note Purchase Agreement is subject to a number of conditions and may be terminated by the Joint Lead Managers in certain circumstances prior to payment for the Subscribed Notes to the Issuer.

United Kingdom

The Joint Lead Managers have represented to and agreed with the Issuer that:

- (a) 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; and
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the 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.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act

(“**Regulation S**”). The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Joint Lead Managers have agreed that, except as permitted by the Note Purchase Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Issue Date (the “**Distribution Compliance Period**”), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the 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 meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Ireland

Each Joint Lead Manager has represented and agreed with the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of S.I. No. 60 of 2007, European Communities (Markets in Financial Instruments) Regulations 2007 (“**MiFID Regulations**”), including, without limitation, Parts 6, 7 and 12 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the Irish Companies Acts 1963 to 2013 (as amended), the Irish Central Bank Acts 1942 – 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Irish Central Bank Act 1998;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Joint Lead Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Joint Lead Managers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

General

Under the Note Purchase Agreement, the Joint Lead Managers have acknowledged that, save for making such applications and for having procured the delivery of a copy of the Prospectus for registration to the Central Bank, no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Notes, or possession or distribution of the Prospectus (in preliminary or final form) or any amendment or supplement thereto or any other offering material relating to the Notes in any country or jurisdiction where action for that purpose is required. Under the Note Purchase Agreement, the Joint Lead Managers have agreed to comply with all applicable laws and regulations in each jurisdiction in or from which it may offer or sell the Notes or have in its possession or distribute the Prospectus (in preliminary or in final form) or any amendment or supplement thereto or any other offering material.

Attention is drawn to the information set out on the inside front cover of this Prospectus.

GENERAL INFORMATION

- (1) The issue of the Notes has been authorised by resolution of the Board of Directors of the Issuer passed on 17 March 2015.
- (2) It is expected that the Notes will be admitted to the official list and admitted for trading on the Irish Stock Exchange on or about 20 March 2015, subject only to issue of the Global Notes of each class of Notes. Prior to official listing, however, dealings in the Notes will be permitted by the Irish Stock Exchange in accordance with its rules. The issue will be cancelled if the Global Notes are not issued.
- (3) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	Common Code	ISIN (Clearstream / Euroclear)
A Notes	120009699	XS1200096995
B Notes	120009915	XS1200099155
C Notes	120010212	XS1200102124
D Notes	120010247	XS1200102470
E Notes	120010263	XS1200102637
F1 Notes	120010310	XS1200103106
F2 Notes	120010344	XS1200103445
F3 Notes	120010379	XS1200103791
Z Notes	120010425	XS1200104252
X1 Notes	120010468	XS1200104682
X2 Notes	120010557	XS1200105572
R Notes	120010581	XS1200105812

- (4) The auditors of the Issuer, Ernst & Young LLP, Chartered Accountants, are members of the Institute of Chartered Accountants of England and Wales. The financial year end of the Issuer is 31 March. The first statutory financial statements of the Issuer will be prepared for the period ended 31 March 2016.
- (5) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings which may have or have had since its date of incorporation a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened.
- (6) In relation to this transaction the Issuer, on or about the date of this Prospectus, has entered into the Note Purchase Agreement referred to under “*Purchase and Sale*” above which is or may be material.
- (7) Since 13 January 2015 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or the financial position of the Issuer.
- (8) The Issuer will provide ongoing performance data on this transaction (including quarterly investor reports and other statistical information regarding the securities to be admitted to trading and the performance of the Mortgage Pool (including anonymised loan level data)), being available at www.ctslink.com in electronic form. The contents of this website are for information purposes only and do not form part of this Prospectus.
- (9) Copies of the following documents may be inspected in electronic or physical form during usual business hours at the registered office of the Issuer or online at www.ctslink.com and will be available in such manner for at least as long as the Notes are admitted to listing on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the Note Purchase Agreement;

- (c) drafts (subject to modification) or, if available, final versions of the following documents:
- (i) the Master Definitions Schedule;
 - (ii) the Bank Agreement;
 - (iii) the Collection Account Agreement;
 - (iv) the Cash/Bond Administration Agreement;
 - (v) the Standby Cash/Bond Administration Agreement;
 - (vi) the Collection Accounts Declaration of Trust;
 - (vii) the Corporate Services Agreement;
 - (viii) the Deed of Charge;
 - (ix) the Supplemental Deed of Charge;
 - (x) the Investment Account Agreement;
 - (xi) the Mortgage Administration Agreement;
 - (xii) the Kayl/Issuer Mortgage Sale Agreement;
 - (xiii) each Scottish Declaration of Trust;
 - (xiv) the Paying Agency Agreement;
 - (xv) the Special Servicer Agreement;
 - (xvi) the Trust Deed;
 - (xvii) the Issuer/ICSD Agreement;
 - (xviii) the GIC Agreement;
 - (xix) the Subordinated Loan Agreement; and
 - (xx) the Retention Letter.

- (10) As at the date hereof, save for the issue of the Notes, the Issuer, since its incorporation on 13 January 2015, has not commenced operations nor prepared any accounts.
- (11) The aggregate transaction fees and expenses for the issue and listing of the Notes are estimated to be in the region of £3,500.

GLOSSARY OF DEFINED TERMS

£, sterling and pounds	are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.
€ EUR or Euro	are references to the lawful currency of the member states of the European Union participating in Economic and Monetary Union as contemplated by the Treaty.
U.S.\$	are references to the lawful currency of the United States of America.
1970 Act	the Conveyancing and Feudal Reform (Scotland) Act 1970.
1999 Regulations	means the Unfair Terms in Consumer Contracts Regulations 1999 as amended.
2001 Act	the Mortgage Rights (Scotland) Act 2001.
2010 Act	the Home Owner and Debtor Protection (Scotland) Act 2010.
2010 PD Amending Directive	means Directive 2010/73/EU.
2012 Act	means the Land Registration etc. (Scotland) Act 2012.
A Noteholder	means the persons who are for the time being holders of the A Notes.
A Notes	means the £370,500,000 Class A mortgage backed floating rate notes due 2046 and, unless expressly stated to the contrary, all references to an “A Note” shall be a reference to such A Note whether in global or definitive form.
A Permanent Global Note	means the permanent Global Note which will represent the A Notes, or some of them, after exchange of the A Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
A Principal Deficiency	means a deficiency of principal amounts to make payment on the A Notes.
A Principal Deficiency Ledger	means the sub-ledger of such name created for the purpose of recording the A Principal Deficiency and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
A Temporary Global Note	means the temporary Global Note representing the A Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
Account Bank	means Wells Fargo Bank N.A., London Branch (or such other replacement bank or financial institution as may be appointed from time to time in accordance with the Transaction Documents) in its capacity as provider of the Bank Accounts.

Accrued Interest	means any accrued interest on the Loans accruing prior to the Issue Date.
Acenden	means Acenden Limited.
Agent Bank	means Société Générale Bank & Trust or any successor thereto.
Agents	means the Paying Agents and the Agent Bank or any of them.
AIFMD	means EU Directive 2011/61/EU on Alternative Investment Fund Managers.
AIFMD Level 2 Regulation	means Commission Delegated Regulation (EU) No. 231/2013 relating to the AIFMD.
Arranger	means Morgan Stanley & Co. International plc.
Authorised Investments	<p>means investments of the funds standing to the credit of the Investment Account where:</p> <ul style="list-style-type: none"> (a) in the opinion of the Cash/Bond Administrator, the rate of interest earned on such investments is likely to exceed the rate of interest paid on the Investment Account; (b) the investments have a maturity date of 60 days or less and mature on or before 2 Business Days prior to the Interest Payment Date immediately succeeding the date on which the investments are made; (c) the investments are sterling gilt-edged securities or sterling demand or time deposits, certificates of deposit or short-term debt obligations (including commercial paper); and (d) (i) the entity to which the investments are made with is an authorised person under the FSMA and the rating of the short-term unsecured, unguaranteed and unsubordinated debt obligations of such entity is at least A-1 by S&P; or (ii) in the case of deposits, the long-term unsecured and unsubordinated debt obligations of the depositary institution are rated at least A (long term) by Moody's, or otherwise the relevant investments have a short term rating of at least P-1 by Moody's or a long term rating of at least A3 by Moody's.
Authorities	means the FSA together with HM Treasury and the Bank of England.
Available Principal Funds	<p>means an amount calculated by the Cash/Bond Administrator on a Determination Date, being the aggregate of the following amounts:</p> <ul style="list-style-type: none"> (a) the Principal Collections received for the preceding Determination Period; (b) the proceeds of any Authorised Investments attributable to Principal Collections for the Determination Period immediately preceding the relevant Determination Date; (c) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority

	<p>of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Interest Payment Date; and</p> <p>(d) on the Determination Date immediately following the redemption in full of the E Notes, amounts standing to the credit of the Reserve Fund Ledger;</p> <p>less any amounts of Available Principal Funds which are to constitute item (f) of Available Revenue Funds and any amounts which are requested by Borrowers for Borrow-Backs and which the Legal Title-Holder is obliged to pay.</p> <p>The amount of £388,034.90, which is the amount by which the total issuance of the Rated Notes and the F Notes exceeds the consideration payable by the Issuer in respect of the sale of the Loans and Collateral Security, will be made part of the Available Principal Funds on the first Interest Payment Date.</p>
<p>Available Revenue Funds</p>	<p>means an amount calculated by the Cash/Bond Administrator on a Determination Date, being the aggregate of the following amounts:</p> <p>(a) interest earned pursuant to the Investment Account Agreement and the GIC Agreement for the Determination Period immediately preceding the Determination Date and interest received on the Transaction Account for the Determination Period immediately preceding the relevant Determination Date;</p> <p>(b) the proceeds of any Authorised Investments attributable to Revenue Collections for the Determination Period immediately preceding the relevant Determination Date;</p> <p>(c) the Revenue Collections received for the Determination Period immediately preceding the relevant Determination Date;</p> <p>(d) any amount standing to the credit of the Non-Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (excluding paragraphs (e) and (f) below) in respect thereof;</p> <p>(e) for so long as there are any Class A Notes outstanding, any amount standing to the credit of the Liquidity Reserve Fund Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Revenue Shortfall on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraph (d) above but excluding paragraph (f) below);</p> <p>(f) such amounts of Available Principal Funds on the</p>

	<p>relevant Determination Date if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be (i) a Revenue Shortfall and (ii), provided the relevant PDL Condition is met, a shortfall in respect of interest on the B Notes, the C Notes, the D Notes and the E Notes, in each case on the immediately following Interest Payment Date after application of all other Available Revenue Funds (including paragraphs (d) and (e) above); and</p> <p>(g) any amounts credited to the Revenue Ledger from the Shortfall Ledger.</p>
Banking Act	means the UK Banking Act 2009.
Barclays	means Barclays Bank PLC.
Barclays Bank Group	means Barclays together with its subsidiary undertakings.
BBR	means the Bank of England base rate of interest.
B Noteholder	means the persons who are for the time being holders of the B Notes.
B Notes	means the £54,600,000 Class B mortgage backed floating rate notes due 2046 and, unless expressly stated to the contrary, all references to a “ B Note ” shall be a reference to such B Note whether in global or definitive form.
B Permanent Global Note	means the permanent Global Note which will represent the B Notes, or some of them, after exchange of the B Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
B Principal Deficiency	means a deficiency of principal amounts to make payment on the B Notes.
B Principal Deficiency Ledger	means the sub-ledger of such name created for the purpose of recording the Principal Deficiency on the B Notes and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
B Residual Amount	has the meaning given to such term in Condition 4(k) (<i>Deferral of Interest</i>).
B Temporary Global Note	means the temporary Global Note representing the B Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
Balance	means in relation to any Loan and on any date, the principal amount outstanding as at that date plus any other disbursement, legal expense, fee, charge or premium capitalised and added to the amounts secured by the relevant Mortgage in accordance with the conditions of the Loan on or prior to such date (including, for the avoidance of doubt, capitalised interest) less any repayments

	of such amounts.
Bank Accounts	means the Transaction Account, the GIC Account and the Investment Account (or any replacement accounts for such account).
Bank Agreement	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Account Bank.
Bank Base Rate Mortgage	a Loan under the terms of which interest tracks the Bank of England base rate.
Basel Committee	means the Basel Committee on Banking Supervision.
Basic Terms Modification	means any modification to: <ul style="list-style-type: none"> (a) the maturity of the Notes or the dates on which interest is payable in respect of the Notes; (b) any reduction of the amount due in respect of or cancellation of the principal amount of, or interest on or variation of the method of calculating the rate of interest on, the Notes; (c) the priority of payment of interest or principal on the Notes; (d) the currency of payment of the Notes or the Coupons; (e) the definition of Basic Terms Modification; or (f) the provisions concerning the quorum required at any meeting of Noteholders or the majority required to effect a Basic Terms Modification or to pass an Extraordinary Resolution.
Block Buildings Policy	means the insurance policy over a group of Properties covering all fire and other commercial risks for an amount not less than the full reinstatement value of the Properties.
BO	means a bankruptcy order (or its Scottish equivalent).
Book-Entry Interests	means the beneficial interests in the Global Notes recorded by Euroclear and Clearstream, Luxembourg.
Borrow-Back	has the meaning given to it in “ <i>Constitution of the Mortgage Pool – Criteria common to Mortgage Pool 1, Mortgage Pool 2 and Mortgage Pool 3</i> ”.
Borrower	means, in relation to each Loan, the borrower or borrowers specified in such Loan.
Bridge Financing	has the meaning given to such term in the Risk Factor entitled “ <i>Conflicts of Interest</i> ”.
Business Day	means a day on which commercial banks and foreign exchange markets settle payments in London and Ireland.
Buy-to-Let Loan	means a Loan which is intended for a Borrower who wishes to use the Loan as a means to purchase a residential property for the purpose of letting to third parties.

C Noteholder	means the persons who are for the time being holders of the C Notes.
C Notes	means the £38,000,000 Class C mortgage backed floating rate notes due 2046 and, unless expressly stated to the contrary, all references to a “C Note” shall be a reference to such C Note whether in global or definitive form.
C Permanent Global Note	means the permanent Global Note which will represent the C Notes, or some of them, after exchange of the C Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
C Principal Deficiency	means a deficiency of principal amounts to make payment on the C Notes.
C Principal Deficiency Ledger	means the sub-ledger of such name created for the purpose of recording the C Principal Deficiency, and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
C Residual Amount	has the meaning given to such term in Condition 4(k) (<i>Deferral of Interest</i>).
C Temporary Global Note	means the temporary Global Note representing the C Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
Call Option Date	means any Interest Payment Date falling on or after June 2020 in respect of an optional redemption of the Senior Notes exercisable by the Issuer in whole or in part.
Capital Requirements Directive or CRD	means EU Directive 2006/48/EC (as amended).
Cash/Bond Administration Agreement	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer, the Cash/Bond Administrator.
Cash/Bond Administrator	means KMC or any successor thereto.
CCA	means the Consumer Credit Act 1974, as amended.
CCJ	means a county court judgment (or its Scottish equivalent).
Central Bank	means the Central Bank of Ireland.
Charged Obligation Documents	means the documents set out at Condition 2(b)(iii) (<i>Security</i>).
Charged Property	means the property, assets, rights and undertakings for the time being comprised in or subject to the security contained in or granted pursuant to the Deed of Charge and references to the Charged Property shall include references to any part of it.
Class	means any class of Notes.
Clearing Systems	means Clearstream, Luxembourg and Euroclear.

Clearstream, Luxembourg	means Clearstream Banking, <i>société anonyme</i> .
CMA	means the Competition and Markets Authority.
Collateral Security	means the Mortgages and any other collateral security relating to the Loans including, but not limited to, any rights under the Insurance Contracts.
Collection Account Agreement	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Collection Account Provider.
Collection Account Provider	means Barclays Bank PLC (or such other replacement bank or financial institution as may be appointed from time to time in accordance with the Transaction Documents) in its capacity as provider of the Collection Accounts.
Collection Account Provider Downgrade Event	means where the Collection Account Provider fails to maintain the Collection Account Rating Agency Required Ratings.
Collection Account Rating Agency Required Ratings	means the required ratings of the Collection Account Provider as set out in the section entitled “ <i>Triggers Table</i> ”.
Collection Accounts	<p>means the following accounts, each in the name of Kensington Mortgage Company Limited held with the Collection Account Provider:</p> <ul style="list-style-type: none"> (a) Sort code 20-19-90 Account number 53900185; (b) Sort code 20-19-90 Account number 33898970; (c) Sort code 20-19-90 Account number 23341585; (d) Sort code 20-19-90 Account number 03429970; (e) Sort code 20-19-90 Account number 13844374; (f) Sort code 20-19-90 Account number 73465276; and (g) Sort code 20-19-90 Account number 33677176, <p>or (x) such replacement account(s) as may be established from time to time so long as these accounts are subject to a declaration of trust in favour of the Issuer, the relevant account holding bank has the rating referred to in clause 5 (<i>Change of Bank or Cash/Bond Administrator</i>) of the Collection Account Agreement and such account holding bank enters into an agreement on substantially the same terms as the Collection Account Agreement, or (y) such other replacement account(s) as may be established from time to time in accordance with the Transaction Documents.</p>
Collection Accounts Declaration of Trust	means each declaration of trust dated on or about the Issue Date created in favour of the Issuer in respect of KMC’s interest in the Collection Accounts.
Commencement Date	has the meaning given to such term in the Risk Factor entitled “ <i>Land Regsitration Reform in Scotland</i> ”.
Common Safekeeper	means the Clearing Systems or such other entity which the Issuer may elect from time to time to perform the safekeeping roles (See “ <i>Summary of Provisions Relating to the Notes While in</i> ”).

	<i>Global Form</i> ”).
Completion Mortgage Pool	means the loans selected in accordance with clause 4 (<i>Period to Completion</i>) of the Kayl/Issuer Mortgage Sale Agreement and to be sold and assigned to the Issuer pursuant to the Kayl/Issuer Mortgage Sale Agreement on the Issue Date, as set out in Annexure A of the Kayl/Issuer Mortgage Sale Agreement.
CONC	means the Consumer Credit sourcebook.
Conditions	means the terms and conditions applicable to the Notes as set out in Schedule 3 (<i>Terms and Conditions of the Notes</i>) to the Trust Deed as may from time to time be modified in accordance with the Trust Deed and, with respect to any Notes represented by a Global Note, as modified by the provisions of such Global Note and any reference to a particularly numbered Condition shall be construed accordingly.
Consumer Credit Directive	means the second Directive on consumer credit adopted by the European Parliament and the Council.
Contingency Policy	means a contingency insurance policy (used where the Borrower has allowed his or her insurance policy to lapse, and where the relevant Legal Title-Holder is not aware of that lapse).
Corporate Services Agreement	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Corporate Services Provider.
Corporate Services Provider	means Structured Finance Management Limited, a company incorporated in England and Wales with registered number 3853947 and having its registered office at 35 Great St. Helen's, London EC3A 6AP, United Kingdom.
Couponholder	means the bearer of a Coupon.
Coupons	means the bearer coupons relating to the Notes or, as the context may require, a specific number of them and includes any replacement Coupons issued pursuant to the Conditions.
CPR	means the constant per annum rate of prepayment.
CPUTRs	means the Consumer Protection from Unfair Trading Regulations 2008.
CRA3	means the provisions of Regulation (EC) 1060/2009 on Credit Rating Agencies as amended by Regulation 462/2013 (EU).
CRA Regulation	means Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.
CRD	means the Capital Requirements Directive.
CRD IV	means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013.
CTS	means Wells Fargo's Corporate Trust Services.

Cut-Off Date	means 31 December 2014.
D Noteholder	means the persons who are for the time being holders of the D Notes.
D Notes	means the £14,000,000 Class D mortgage backed floating rate notes due 2046 and, unless expressly stated to the contrary, all references to an “ D Note ” shall be a reference to such D Note whether in global or definitive form.
D Permanent Global Note	means the permanent Global Note which will represent the D Notes, or some of them, after exchange of the D Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
D Principal Deficiency	means a deficiency of principal amounts to make payment on the D Notes.
D Principal Deficiency Ledger	means the sub-ledger of such name created for the purpose of recording the D Principal Deficiency and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
D Residual Amount	has the meaning given to such term in Condition 4(k) (<i>Deferral of Interest</i>).
D Temporary Global Note	means the temporary Global Note representing the D Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
Deed of Charge	means the deed so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Security Trustee.
Deed of Variation	means a variation to the Standard Conditions implemented by lenders in the residential mortgage market.
Determination Date	means the date which falls two Business Days prior to an Interest Payment Date or, if such day is not a Business Day, the immediately preceding Business Day.
Determination Period	means the period ending on the fourth Business Day of the calendar month in which a Determination Date falls and starting on the calendar day immediately following the fourth Business Day of the calendar month in which the immediately preceding Determination Date falls, save in respect of the first Determination Period which shall start on the Issue Date.
Distribution Compliance Period	has the meaning given to such term in the section entitled “ <i>Purchase and Sale</i> ”.
DTIR	means debt-to-income ratio.
E Noteholder	means the persons who are for the time being holders of the E Notes.

E Notes	means the £15,200,000 Class E mortgage backed floating rate notes due 2046 and, unless expressly stated to the contrary, all references to an “ E Note ” shall be a reference to such E Note whether in global or definitive form.
E Permanent Global Note	means the permanent Global Note which will represent the E Notes, or some of them, after exchange of the E Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
E Principal Deficiency	means a deficiency of principal amounts to make payment on the E Notes.
E Principal Deficiency Ledger	means the sub-ledger of such name created for the purpose of recording the E Principal Deficiency and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
E Residual Amount	has the meaning given to such term in Condition 4(k) (<i>Deferral of Interest</i>).
E Temporary Global Note	means the temporary Global Note representing the E Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
EMU	means European Economic and Monetary Union.
Enforcement Liabilities	means the entirety of amounts owed by a Borrower under a Loan.
Enforcement Notice	means a notice given by the Trustee to the Issuer under Condition 9 (<i>Events of Default</i>) of the Notes.
Enforcement Procedures	means the exercise of the rights and remedies against a Borrower, or in relation to the security for the Borrower’s obligations arising from any default by the Borrower under or in connection with such Borrower’s Loan or related security, in accordance with the procedures established by the relevant Legal-Title Holder and adopted by the Mortgage Administrator or Special Servicer, as varied from time to time in accordance with the procedures that could reasonably be expected of a Prudent Mortgage Lender as dictated by the Special Servicer and “ completion of the Enforcement Procedures ” shall be deemed to have occurred in respect of a particular Loan and its related security when the Mortgage Administrator has been notified by the Special Servicer that, having regard to the circumstances of the relevant Borrower and the then applicable Enforcement Procedures, the prospect of any further recovery of amounts due by that Borrower is remote or such further recovery is uneconomic.
Enforcement Proceeds	means the proceeds arising from any enforcement proceedings upon a Borrower’s default, including any sale proceeds.
English Loans	are Loans in the Provisional Completion Mortgage Pool secured over Properties located in England and Wales.

English Mortgage	means the first ranking legal mortgage or charge of Property located in England or Wales which is security for a Loan.
English Property	means a freehold or long leasehold residential property situated in England or Wales.
English Security	means security created in favour of the Trustee by, and contained in or granted pursuant to the Deed of Charge.
Euroclear	means Euroclear Bank SA/NV or its successor.
Euro Exchange Date	has the meaning given to that term in Condition 16(b) (<i>Redenomination</i>).
Euro Exchange Notice	has the meaning given to that term in Condition 16(b) (<i>Redenomination</i>).
Eurozone	means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.
Event of Default	has the meaning given to it in Condition 9 (<i>Events of Default</i>).
Excess Spread	means any Available Revenue Funds in excess of senior costs and interest due on the Rated Notes.
Exchange Date	has the meaning given in the section entitled “ <i>Summary of Provisions Relating to the Notes While in Global Form</i> ”.
Exchange Event	has the meaning given in the section entitled “ <i>Summary of Provisions Relating to the Notes While in Global Form</i> ”.
Extraordinary Resolution	<p>means:</p> <p>(a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75% of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75% of the votes cast on such poll; or</p> <p>(b) a resolution in writing signed by or on behalf of the holders of not less than 75% of the Principal Amount Outstanding of the relevant Class or Classes 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 such holders,</p> <p>and (in the circumstances set out in Condition 11 (<i>Meetings of Noteholders; Modifications; Consents; Waiver</i>) an Extraordinary Resolution (other than in respect of a Basic Terms Modification) will pass unless 10% or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Extraordinary Resolution within 40 days after the date on which a notice containing the text of such Extraordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections</p>

	should be made has been given to such class in accordance with the provisions of Condition 14 (<i>Notice to Noteholders</i>) by the Issuer, the Trustee or the Cash/Bond Administrator, and for so long as the Notes are listed on the Irish Stock Exchange, by making it available to any Regulatory Information Service maintained by the Irish Stock Exchange.
F Noteholder	means the persons who are for the time being holders of the F Notes.
F Notes	means the F1 Notes, the F2 Notes and the F3 Notes.
F1 Noteholder	means the persons who are for the time being holders of the F1 Notes.
F1 Notes	means the £5,100,000 Class F1 mortgage backed floating rate notes due 2046 and, unless expressly stated to the contrary, all references to an “ F1 Note ” shall be a reference to such F1 Note whether in global or definitive form.
F1 Permanent Global Note	means the permanent Global Note which will represent the F1 Notes, or some of them, after exchange of the F1 Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
F1 Principal Deficiency	means a deficiency of principal amounts to make payment on the F1 Notes.
F1 Principal Deficiency Ledger	means the sub-ledger of such name created for the purpose of recording the F1 Principal Deficiency, and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
F1 Residual Amount	has the meaning given to such term in Condition 4(k) (<i>Deferral of Interest</i>).
F1 Temporary Global Note	means the temporary Global Note representing the F1 Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
F2 Noteholder	means the persons who are for the time being holders of the F2 Notes.
F2 Notes	means the £5,100,000 Class F2 mortgage backed floating rate notes due 2046 and, unless expressly stated to the contrary, all references to an “ F2 Note ” shall be a reference to such F2 Note whether in global or definitive form.
F2 Permanent Global Note	means the permanent Global Note which will represent the F2 Notes, or some of them, after exchange of the F2 Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.

F2 Principal Deficiency	means a deficiency of principal amounts to make payment on the F2 Notes.
F2 Principal Deficiency Ledger	means the sub-ledger of such name created for the purpose of recording the F2 Principal Deficiency, and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
F2 Residual Amount	has the meaning given to such term in Condition 4(k) (<i>Deferral of Interest</i>).
F2 Temporary Global Note	means the temporary Global Note representing the F2 Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
F3 Noteholder	means the persons who are for the time being holders of the F3 Notes.
F3 Notes	means the £5,100,000 Class F3 mortgage backed floating rate notes due 2046 and, unless expressly stated to the contrary, all references to an “ F3 Note ” shall be a reference to such F3 Note whether in global or definitive form.
F3 Permanent Global Note	means the permanent Global Note which will represent the F3 Notes, or some of them, after exchange of the F3 Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
F3 Principal Deficiency	means a deficiency of principal amounts to make payment on the F3 Notes.
F3 Principal Deficiency Ledger	means the sub-ledger of such name created for the purpose of recording the F3 Principal Deficiency, and maintained by the Cash/Bond Administrator as a sub-ledger of the Principal Deficiency Ledger.
F3 Residual Amount	has the meaning given to such term in Condition 4(k) (<i>Deferral of Interest</i>).
F3 Temporary Global Note	means the temporary Global Note representing the F3 Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
FATCA	means U.S. Foreign Account Tax Compliance.
FATCA Withholding	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
FCA	means the Financial Conduct Authority or any successor authority or authorities fulfilling the regulatory role currently occupied by the FCA.

FCA Undertaking	means the undertaking given by KMC to the FCA in January 2014 in which it agreed not to rely on a number of terms in the MPL Mortgage Conditions.
FFI or foreign financial institution	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
Final Discharge Date	means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full.
Final Maturity Date	means for all Notes save the X2 Notes, the Interest Payment Date falling in June 2046.
Final RTS	means Commission Delegated Regulation (EU) No. 625/2014 supplementing the CRR.
Fixed Interest Payment	has the meaning given to such term in Condition 4(d) (<i>Fixed Rate of Interest</i>).
Fixed Rate Notes	means the X1 Notes.
Fixed Rate of Interest	means the rate of interest as determined by the Agent Bank in accordance with Condition 4(d) (<i>Fixed Rate of Interest</i>).
Flexible Loans	means loans with Borrow-Backs or Payment Holidays as conditions.
Floating Rate of Interest	means the rate of interest as determined by the Agent Bank in accordance with Condition 4(c) (<i>Floating Rate of Interest</i>).
Floating Rate Notes	means the A Notes, B Notes, C Notes, D Notes, E Notes, F1 Notes, F2 Notes, F3 Notes and Z Notes.
Floor Level	means, in respect of a KVR Standard Mortgage Rate, 3 month Sterling LIBOR as set on the relevant Rate Setting Date plus 2.50%, and in respect of an MVR Standard Mortgage Rate, 3 month Sterling LIBOR as set on the relevant Rate Setting Date plus 1.50%
foreign passthru payments	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
FSA	means the Financial Services Authority or any successor authority or authorities fulfilling the regulatory role currently occupied by the FSA (which term, when used in relation to a date on or after 1 April 2013, shall be deemed to refer to the FCA and/or PRA (as applicable)).
FSMA	means the Financial Services and Markets Act 2000.
FTT	means the proposed financial transactions tax and “ Commission’s proposal ” in relation thereto means the draft Directive for such financial transactions tax.
Further Advance Loan	means a Loan where KMC or any relevant affiliate in its capacity as legal title holder and lender of record decides to make a further advance to the Borrower.

GIC Account	means the sterling-denominated account in the name of the Issuer held with the Investment Account Provider, account number 88002234, or such other replacement account as may be established from time to time in accordance with the Transaction Documents.
GIC Agreement	means the agreement entered into between the Issuer and the GIC Provider in relation to the GIC Account.
GIC Provider	means Wells Fargo Bank N.A., London Branch (or such other replacement bank or financial institution as may be appointed from time to time in accordance with the Transaction Documents).
Global Note	means each of the Temporary Global Notes and the Permanent Global Notes.
Guarantor	Kensington Group Limited or any successor thereto.
Global Notes	means the Permanent Global Notes and the Temporary Global Notes.
grandfathering date	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
HML	means Homeloan Management Limited.
HMRC	means Her Majesty’s Revenue and Customs.
IAS	means International Accounting Standards.
ICSDs	means Euroclear and Clearstream, Luxembourg.
IBP	means Investec Bank plc.
Initial Available Revenue	means, on each Determination Date, the amount standing to the credit of the Revenue Ledger as at the end of the preceding Determination Period.
Initiating Noteholder	has the meaning given to such term in Condition 14(d) (<i>Noteholder Notices</i>).
Insurance Contracts	means the insurance contracts referred to in Schedule 6 (<i>Insurance Contracts</i>) of the Kayl/Issuer Mortgage Sale Agreement, including the right to receive the proceeds of any claims, in so far as they relate to the Loans and any other insurance contracts in replacement, addition or substitution therefor from time to time and which relate to the Loans, including any Contingency Policies and LIOs.
Interest Amount	has the meaning given to such term in Condition 4(f) (<i>Determination of Floating Rates of Interest and Calculation of Interest Amount</i>).
Interest Determination Date	means, in the case of the first Interest Period, the Issue Date, and, for each subsequent Interest Period, the first day of an Interest Period.

Interest Only Loan	means a loan under the terms of which the principal amount is not repayable before maturity and may require an endowment policy to be charged by way of collateral security or may require the deposit (but not by way of security) of a pension policy or may have no collateral as security other than the relevant Property.
Interest Payment Date	means the 15th day in March, June, September and December in each year unless such day is not a Business Day, in which case interest shall be payable on the following Business Day.
Interest Period	means the period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date, <i>provided that</i> the first Interest Period shall be the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date.
Interest Shortfall	means, on each Determination Date, the amount by which the Initial Available Revenue for the immediately following Interest Payment Date is insufficient to provide for payment of interest on the B Notes, C Notes, D Notes, E Notes, F Notes, Z Notes or X1 Notes.
Investment Account	means the account in the name of the Issuer at the Investment Account Provider, account number 88002238, or such other replacement account as may be established from time to time in accordance with the Transaction Documents.
Investment Account Agreement	means the agreement so named dated on or about the Issue Date between the Issuer and the Investment Account Provider.
Investment Account Provider	means Wells Fargo Bank N.A., London Branch
Irish Stock Exchange	means the Irish Stock Exchange Limited.
IRS	means the U.S. Internal Revenue Service.
Issue Date	means 20 March 2015.
Issuer	means Residential Mortgage Securities 28 PLC whose registered number is 9386653 and whose registered office is at 35 Great St. Helen's, London EC3A 6AP, United Kingdom, United Kingdom.
Issuer Costs and Expenses	means the costs and expenses arising in respect of the purchase of Loans and the issuance of the Notes.
Issuer Payment Amount	means an amount calculated, in respect of the relevant Interest Period, as being the shortfall in interest received in respect of any Loans with a KVR Standard Mortgage Rate or MVR Standard Mortgage Rate lower than the applicable Floor Level that are no more than three months in arrears for the relevant Interest Period on the basis of the interest rates set by the Special Servicer as compared to the amounts which would have been received had the rates been set at the relevant Floor Level and on the basis that the same proportion of interest due at such Floor Level would be received in respect of the relevant Loans as was actually received.

Issuer Turn	means retained profit of the Issuer in an amount of up to £1,500 per Interest Period for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year and the payment of a distribution (if any) to Parent.
Issuer Turn Ledger	means a ledger established in the Investment Account used to record the retained revenue of the Issuer in accordance with the Cash/Bond Administration Agreement.
Issuer/ICSD Agreement	means the agreement so named dated on or before the date hereof between the Issuer and each of Euroclear and Clearstream, Luxembourg.
IVA	means an Individual Voluntary Arrangement (or its Scottish equivalent).
Joint Lead Managers	means each of Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited and Morgan Stanley & Co. International plc.
Joint Lead Managers Related Person	means any related entities, associates, officers or employees of the Joint Lead Managers.
Kayl	means Kayl PL S.à r.l. (a direct wholly-owned subsidiary of Kayl Holdco).
Kayl Holdco	means Kayl Holdco S.à r.l. (the parent company of the Seller).
Kayl/Issuer Mortgage Sale Agreement	means the mortgage sale agreement dated on or about the Issue Date between the Issuer, the Legal Title-Holders, Kayl and the Trustee.
Kensington Variable Rate	means the variable rate set by KMC from time to time.
KG	means Kensington Group Limited.
KMC	means Kensington Mortgage Company Limited, a company registered in England and Wales with company number 3049877.
KVR Standard Mortgage	means a Loan under the terms of which interest is payable at the Kensington variable rate of interest (“ KVR ” or “ KVR Standard Mortgage Rate ”) set by KMC which is set quarterly at three-month LIBOR plus a margin.
Land Registry	means HM Land Registry.
Legal Title-Holders	means KMC and certain other affiliates of KMC which hold the legal title to Loans.
Lending Criteria	means the lending criteria as set out in Schedule 7 (<i>Lending Criteria</i>) of the Kayl/Issuer Mortgage Sale Agreement as may from time to time be applicable generally to loans and further advances made by the relevant Legal Title-Holder.
LIBOR	means the London interbank offer rate.

LIBOR Standard Mortgage	means a Loan under the terms of which interest is payable at a variable rate of interest which is set quarterly at three-month LIBOR plus a margin.
LIO	means a lenders' interest only insurance policy (which the relevant Legal Title-Holder and the beneficial owner of the relevant Loan has the benefit of).
Liquidity Reserve Fund	means the amount reserved from time to time in the Investment Account by depositing amounts into the Investment Account and crediting the Liquidity Reserve Fund Ledger in accordance with the Cash/Bond Administration Agreement.
Liquidity Reserve Fund Actual Amount	means an amount equal to the lesser of (i) the Liquidity Reserve Fund Required Amount, and (ii) the Reserve Fund Actual Amount.
Liquidity Reserve Fund Ledger	means the ledger of such name created and maintained by the Cash/Bond Administrator in the Investment Account.
Liquidity Reserve Fund Required Amount	means an amount equal to 3% of the Principal Amount Outstanding of the A Notes, from time to time.
Loan	means a loan secured by a Mortgage.
Loan Conditions	means, in relation to each Loan, the terms and conditions on which it was made.
Loan to Value Ratio or LTV	means the ratio, expressed as a percentage, which the amount of a Loan (exclusive of any arrangement fee) bears to the valuation of the relevant Property at origination of the Loan or, in some cases as set out in the Lending Criteria, the lower of such valuation and the sale price of such Property.
Losses	means any losses arising in relation to a Loan in the Mortgage Pool which results in a shortfall in the amount of principal received on such Loan.
Main Market	means the regulated market of the Irish Stock Exchange.
Market Abuse Directive	means EU Directive 2003/6/EC.
Markets in Financial Instruments Directive	means Directive 2004/39/EC.
Master Definitions Schedule	means the document named dated on or about the Issue Date and initialled for the purposes of identification by Berwin Leighton Paisner LLP and White & Case LLP.
Maximum LTV	means in respect of the LTV of each Loan at the date of the initial advance, no more than 95% (exclusive of any arrangement fee which may be added to the Loan).
MCD	means the European Mortgage Credit Directive (2014/17/EU).
MCOB	means the FCA's Mortgages and Home Finance: Conduct of Business sourcebook, as the same may be amended, revised or supplemented from time to time.

Meeting	means a meeting of Noteholders of any Class or Classes (whether originally convened or resumed following an adjournment).
Member State	means a member state of the European Union.
MiFID Regulations	has the meaning given to such term in the section entitled “ <i>Purchase and Sale</i> ”.
Modelling Assumptions	means the assumptions set out in the section entitled “ <i>Weighted Average Lives of the Notes</i> ”.
Money Partners	means Money Partners Limited.
Money Partners Variable Rate	means the monthly Money Partners variable rate set by KMC from time to time.
Monthly Report	means the monthly report substantially in the form scheduled as Schedule 2 (<i>Form of Reports</i>) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer, KMC, the Special Servicer and the Trustee.
Moody’s	means Moody's Investors Service Ltd.
Mortgage	means an English Mortgage or a Scottish Mortgage.
Mortgage Administration Agreement	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Mortgage Administrator.
Mortgage Administration Facilitator	means Structured Finance Management Limited or any replacement or successor thereto appointed pursuant to the Mortgage Administration Agreement.
Mortgage Administrator	means (a) KMC under the Mortgage Administration Agreement or (b) if KMC’s appointment is terminated under the Mortgage Administration Agreement, any other mortgage administrator selected by the Mortgage Administration Facilitator and appointed by, or with the approval of, the Trustee.
Mortgage Administrator Termination Event	means any of the events of default specified under the Mortgage Administration Agreement, including non-performance by the Mortgage Administrator of its obligations thereunder or if insolvency or similar events occur in relation to the Mortgage Administrator.
Mortgage Directive	means Directive 2014/17/EU.
Mortgage Early Redemption Amounts	means the compensation amounts payable by a Borrower if a Loan is redeemed (whether pre-enforcement or post-enforcement) within the Relevant Period (excluding, for the avoidance of doubt, any principal received in respect of the Loans to which the relevant Mortgages relate).
Mortgage Pool	means the Completion Mortgage Pool, other than Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been re-transferred to the Seller pursuant to the Kayl/Issuer Mortgage Sale Agreement or in respect of which Enforcement Procedures have been completed, and any Substitute Loans

Mortgage Pool 1 Lending Criteria	means the lending criteria applied in relation to the Loans originated by KMC or its affiliates between April 1996 and November 2008.
Mortgage Pool 2 Lending Criteria	means the lending criteria applied in relation to the Loans originated by Money Partners Limited.
Mortgage Pool 3 Lending Criteria	means the lending criteria applied in relation to the Loans originated by KMC or its affiliates between September 2010 and May 2014.
Mortgage Rights	has the meaning given in the Kayl/Issuer Mortgage Sale Agreement.
Most Senior Class	means the A Notes for so long as there are any A Notes outstanding; thereafter the B Notes for so long as there are any B Notes outstanding; thereafter the C Notes for so long as there are any C Notes outstanding; thereafter the D Notes for so long as there are any D Notes outstanding; thereafter the E Notes for so long as there are any E Notes outstanding; thereafter the F1 Notes for so long as there are any F1 Notes outstanding; thereafter the F2 Notes for so long as there are any F2 Notes outstanding; thereafter the F3 Notes for so long as there are any F3 Notes outstanding; thereafter the Z Notes for so long as there are any Z Notes outstanding; thereafter the X1 Notes for so long as there are any X1 Notes outstanding; thereafter the X2 Notes for so long as there are any X2 Notes outstanding and thereafter the R Notes for so long as there are any R Notes outstanding
MPL Mortgage Conditions	means the Money Partners Limited Mortgage Conditions Booklet 2004 England and Wales.
MVR Standard Mortgage	means a Loan under the terms of which interest is payable at the Money Partners variable rate of interest (“ MVR ” or “ MVR Standard Mortgage Rate ”) set by KMC which is set quarterly at three-month LIBOR plus a margin.
N(M)	means 31 October 2004.
Non-Conforming Borrower	means Borrowers who at the time of origination of their Loan have been subject to a county court judgment or the Scottish equivalent, individual voluntary arrangement or bankruptcy order, are self-employed or otherwise considered by bank and building societies to be non-prime Borrowers.
Non-Liquidity Reserve Fund	means the amount reserved from time to time in the Investment Account by depositing amounts into the Investment Account and crediting the Non-Liquidity Reserve Fund Ledger in accordance with the Cash/Bond Administration Agreement.
Non-Liquidity Reserve Fund Actual Amount	means an amount equal to the greater of (i) the Reserve Fund Actual Amount less the Liquidity Reserve Fund Required Amount, and (ii) zero.
Non-Liquidity Reserve Fund Ledger	means the ledger of such name created and maintained by the Cash/Bond Administrator in the Investment Account.
Non-Liquidity Reserve Fund Required Amount	means an amount equal to the Reserve Fund Required Amount less the Liquidity Reserve Fund Required Amount.

Noteholders	means holders of the Notes.
Note Principal Payment	has the meaning given to such term in Condition 5(c) (<i>Note Principal Payments, Principal Amount Outstanding and Pool Factor</i>).
Note Purchase Agreement	means the note purchase agreement dated on or around 18 March 2015 between the Issuer and the Joint Lead Managers.
Notes	means the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes, the Z Notes, the X Notes and the R Notes.
OFT	means the Office of Fair Trading.
Ombudsman	means the Financial Ombudsman Service.
Ordinary Resolution	<p>means:</p> <p>(a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 50.1% of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1% of the votes cast on such poll; or</p> <p>(b) a resolution in writing signed by or on behalf of the holders of not less than 50.1% of the Principal Amount Outstanding of the relevant Class or Classes 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 such holders,</p> <p>and (in the circumstances set out in Condition 11 (<i>Meetings of Noteholders; Modifications; Consents; Waiver</i>)) an Ordinary Resolution will pass unless 15% or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Trustee in the prescribed manner of their objection to such Ordinary Resolution within 40 days after the date on which a notice containing the text of such Ordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such Class in accordance with the provisions of Condition 14 (<i>Notice to Noteholders</i>) by the Issuer, the Trustee or the Cash/Bond Administrator and for so long as the Notes are listed on the Irish Stock Exchange, by making it available to any Regulatory Information Service maintained by the Irish Stock Exchange.</p>
Original Property	means the Property which a Loan was originally secured by.
Originator	means each of KMC (or its affiliates) or Money Partners (as applicable).
outstanding	means, in relation to a Class of Notes, all the Notes of that Class which have been issued except,
	(a) those which have been redeemed in full in accordance with the Conditions;

	<p>(b) those in respect of which the date for redemption in full has occurred and the full amount of redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable under the Conditions after such date) have been duly paid to the Trustee or to the Principal Paying Agent as provided in Clause 2 (<i>Amount of the Notes and Covenant to Pay</i>) of the Trust Deed (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with Condition 14 (<i>Notice to Noteholders</i>)) and remain available for payment against presentation and surrender of Notes and/or Coupons, as the case may be;</p> <p>(c) those which have become void or in respect of which claims have become prescribed;</p> <p>(d) those mutilated or defaced Notes which have been surrendered in exchange for replacement Notes in accordance with Condition 13 (<i>Replacement of Notes and Coupons</i>);</p> <p>(e) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued pursuant to Condition 13 (<i>Replacement of Notes and Coupons</i>); and</p>
	<p>(f) each Temporary Global Note to the extent that it shall have been exchanged for the corresponding Permanent Global Note pursuant to its provisions and each Permanent Global Note to the extent that it shall have been exchanged for definitive Notes pursuant to its provisions,</p> <p><i>provided that</i> for each of the following purposes:</p> <p>(A) ascertaining the right to attend and vote at any meeting of the Noteholders;</p> <p>(B) the determination of how many Notes are outstanding for the purposes of Condition 9 (<i>Events of Default</i>) and Condition 11 (<i>Meetings of Noteholders; Modification; Consents; Waiver</i>) and Schedule 4 (<i>Provisions for Meetings of Noteholders</i>) to the Trust Deed;</p> <p>(C) the exercise of any discretion, power or authority which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Most Senior Class; and</p> <p>(D) the determination by the Trustee of whether any event or potential event is or would be materially prejudicial to the interests of the Most Senior Class,</p> <p>those Notes which are beneficially held by or on behalf of the Issuer shall (unless no longer so held) be deemed not to remain outstanding and, for the purposes of this proviso, in the case of the Temporary Global Notes and the Permanent Global Notes, the Trustee shall be entitled to rely on the records of Euroclear</p>

	and Clearstream, Luxembourg in relation to any determination of the nominal amount outstanding of the Temporary Global Notes and the Permanent Global Notes.
Parent	means Residential Mortgage Securities 28 Parent Limited.
Parent Share Trust Deed	means the trust deed so named and dated on or about the Issue Date between the Share Trustee and the Parent.
Parent Term Loan Agreement	means the loan agreement so named and dated on or about the Issue Date between the Parent and the Share Trustee.
Part and Part Loans	means Loans under the terms of which the loan is effectively separated (at the option of, and at a level decided by, the Borrower) into two, principal amounts, one in respect of which the Borrower pays interest only and the other in respect of which the Borrower pays interest and principal.
Participating FFI	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
Participating Member State	means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty.
Paying Agency Agreement	means the agreement so named and dated on or about the Issue Date between the Issuer, the Trustee and the Agents.
Paying Agents	means the Principal Paying Agent and any additional paying agent appointed pursuant to the Paying Agency Agreement or any of them.
Payment Holiday	has the meaning given to it in “ <i>Constitution of the Mortgage Pool – Criteria common to Mortgage Pool 1, Mortgage Pool 2 and Mortgage Pool 3</i> ”.
PDL Condition	means in order to make up any Shortfall in respect of any Class, the conditions that the debit balance of the B Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of B Notes in respect of interest on the B Notes, the C Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of C Notes in respect of interest on the C Notes, the D Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of D Notes in respect of interest on the D Notes and the E Principal Deficiency Ledger not exceeding 10% of the Principal Amount Outstanding of E Notes in respect of interest on the E Notes and in relation to any Class “ relevant PDL Condition ” means the condition relating to that Class.
Perfection Event	means the events so described in the Kayl/Issuer Mortgage Sale Agreement.
Performance Report	means the quarterly performance report substantially in the form scheduled as Schedule 2 (<i>Form of Reports</i>) to the Cash/Bond Administration Agreement or from time to time agreed between the Issuer, KMC, the Special Servicer and the Trustee.

Permanent Global Notes	means the A Permanent Global Note, the B Permanent Global Note, the C Permanent Global Note, the D Permanent Global Note, the E Permanent Global Note, the F1 Permanent Global Note, the F2 Permanent Global Note, the F3 Permanent Global Note, the Z Permanent Global Note, the X1 Permanent Global Note, the X2 Permanent Global Note and the R Permanent Global Note.
Pool Factor	has the meaning given to such term in Condition 5(c) (<i>Note Principal Payments, Principal Amount Outstanding and Pool Factor</i>).
Ported Loan	means a Loan where the relevant Legal Title-Holder in its capacity as legal title holder and lender of record agrees with any Borrower that a Loan (which is currently secured by a Mortgage over the Original Property) may be secured by another Mortgage over Property other than the Original Property.
Post-Enforcement Priority of Payments	means the Post-Enforcement Priority of Payments set out in Condition 2(d) (<i>Post-Enforcement Priority of Payments</i>).
Post-Enforcement Trigger Event	means the earlier to occur of (i) the date on which the Trustee gives notice to the Issuer pursuant to Condition 9(a) (<i>Events of Default</i>) declaring the Notes to be due and repayable, (ii) the Final Maturity Date, (iii) the Interest Payment Date on which the relevant Notes are redeemed in accordance with Condition 5(d) (<i>Optional Redemption in Full</i>) or Condition 5(e) (<i>Optional Redemption for Taxation or Other Reasons</i>) and (iv) the date on which the E Notes have been redeemed in full.
Potential Event of Default	means any condition, event, act or circumstance which would or could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9 (<i>Events of Default</i>), become an Event of Default.
Pre-Enforcement Principal Priority of Payments	means the Pre-Enforcement Principal Priority of Payments as set out in Condition 5(b) (<i>Mandatory Redemption of the Notes</i>).
Pre-Enforcement Priority of Payments	means the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Principal Priority of Payments, as the case may be.
Pre-Enforcement Revenue Priority of Payments	means the Pre-Enforcement Revenue Priority of Payments set out in Condition 2(c) (<i>Pre-Enforcement Revenue Priority of Payments</i>).
Principal Amount Outstanding	means the principal amount outstanding of each note as determined in accordance with Condition 5(c) (<i>Note Principal Payments, Principal Amount Outstanding and Pool Factor</i>).

Principal Collections	means an amount determined by the Cash/Bond Administrator on a Determination Date being the aggregate of: <ul style="list-style-type: none"> (a) all repayments or prepayments of principal received by the Issuer in relation to the Loans in respect of the Determination Period ending on or immediately prior to such Determination Date; (b) recoveries received by the Issuer and allocable to principal upon an enforcement of the Collateral Security, and recoveries received by the Issuer and allocable to principal upon a purchase or a repurchase of the Loans by the Seller or, failing whom, the Guarantor (or an affiliate thereof), in accordance with the terms of the Kayl/Issuer Mortgage Sale Agreement in each case received by the Issuer in the Determination Period preceding such Determination Date.
Principal Deficiency	means the amount debited from time to time to the Principal Deficiency Ledger for the purposes of recording Losses on the Mortgage Pool and/or the utilisation of principal receipts to pay a Revenue Shortfall and also to pay interest amounts on the B Notes, C Notes, D Notes and E Notes.
Principal Deficiency Ledger	means the A Principal Deficiency Ledger, the B Principal Deficiency Ledger, the C Principal Deficiency Ledger, the D Principal Deficiency Ledger, the E Principal Deficiency Ledger, the F1 Principal Deficiency Ledger, the F2 Principal Deficiency Ledger and the F3 Principal Deficiency Ledger.
Principal Ledger	means the ledger of such name created for the purpose of recording Principal Collections and maintained by the Cash/Bond Administrator in the Investment Account.
Principal Paying Agent	means Société Générale Bank & Trust or any successor thereto.
Principal Receipts	has the meaning given to such term in Condition 4(1) (<i>Determinations and Reconciliation</i>).
Priority of Payments	means the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments, as applicable.
Property	means in relation to a Loan, the English Property or Scottish Property upon which the obligations of the Borrower are secured.
Proposed Replacement	means any replacement mortgage administrator proposed by the Mortgage Administration Facilitator pursuant to the terms of the Mortgage Administration Agreement.
Prospectus	means this prospectus of the Issuer for the purposes of the Prospectus Directive.
Prospectus Directive	means EU Directive 2003/71/EC (as amended).
Provisions for Meetings of Noteholders	means the provisions contained in Schedule 4 of the Trust Deed.
Provisional Completion Mortgage Pool	means the Mortgage Pool as at the Cut-Off Date with the characteristics set out in the section entitled " <i>Constitution of the Mortgage Pool</i> ".

Prudential Regulation Authority or PRA	means the Prudential Regulation Authority which replaced the FSA on 1 April 2013.
Prudent Mortgage Lender	means a reasonably prudent mortgage lender acting in a manner consistent with that of an experienced lender, servicer or administrator of residential mortgage loans lending to borrowers in England, Wales and Scotland who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital.
R Noteholder	means the persons who are for the time being holders of the R Notes.
R Notes	means the £100,000 Class R residual notes due 2046 and, unless expressly stated to the contrary, all references to an “ R Note ” shall be a reference to such R Note whether in global or definitive form.
R Permanent Global Note	means the permanent Global Note which will represent the R Notes, or some of them, after exchange of the R Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
R Temporary Global Note	means the temporary Global Note representing the R Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
Rated Notes	means the A Notes, the B Notes, the C Notes, the D Notes and the E Notes.
Rate Setting Date	means: <ul style="list-style-type: none"> (a) in respect of MVR Standard Mortgages, the penultimate Business Day of February, May, August and November in each year; and (d) in respect of KVR Standard Mortgages, the penultimate Business Day of February, May, August and November in each year.
Rating Agencies	means S&P and Moody’s and “ Rating Agency ” means either of them.
Rating Agency Confirmation	means written confirmation from each Rating Agency then rating the Notes that the then current ratings of each Class of Notes rated thereby will not be qualified, downgraded or withdrawn as a result of such modification, <i>provided that</i> (a) if any Rating Agency then rating the Notes provides a waiver or acknowledgement indicating its decision not to review or otherwise declining to review the matter for which the Rating Agency Confirmation is sought, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed waived (b) if any Rating

	Agency does not provide a formal Rating Agency Confirmation, provided no indication is received from such Rating Agency that any such action or inaction will negatively impact the rating of the Notes, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed waived, and (c) the Trustee may, in accordance with the Transaction Documents, waive the requirement for a Rating Agency Confirmation to be obtained.
Rate of Interest	means the relevant Floating Rate of Interest and the Fixed Rate of Interest.
Recalcitrant Holder	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
Receiver	means a receiver appointed under the Deed of Charge or pursuant to statutory powers, and includes more than one such receiver and any substituted receiver.
Reconciliation Amount	has the meaning given to such term in Condition 4(l) (<i>Determinations and Reconciliation</i>).
Redenominated Notes	has the meaning given to that term in Condition 16(b) (<i>Redenomination</i>).
Redenomination Date	has the meaning given to that term in Condition 16(a) (<i>Notice of redenomination</i>).
Reference Banks	has the meaning given to that term in Condition 4(j) (<i>Reference Banks</i>).
Regulated Mortgage Contract	means any regulated mortgage contract under FSMA.
Regulation S	means Regulation S of the Securities Act.
Relevant Implementation Date	has the meaning given to such term in the section entitled “ <i>Purchase and Sale</i> ”.
Relevant Information	has the meaning given to such term in the Risk Factor entitled “ <i>Conflicts of Interest</i> ”.
Relevant Margin	has the meaning given to such term in Condition 4(c) (<i>Floating Rate of Interest</i>).
Relevant Member State	has the meaning given to such term in the section entitled “ <i>Purchase and Sale</i> ”.
Relevant Period	means three years from the date of advance of the relevant Loan to the Borrower.
Relevant Rules	means the rules and guidance of the Financial Services Authority or any successor regulatory authority implementing CRD.
Repayment Loan	means a Loan under the terms of which monthly instalments covering both interest and principal are payable by the Borrower until the Loan is fully repaid by its maturity in accordance with the relevant Loan Conditions.
Reporting FI	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.

Repurchase Date	means the date on which a Loan is repurchased by the Seller or, failing whom, the Guarantor (or an affiliate thereof).
Repurchase Price	means a cash payment to the Issuer or to such person as the Issuer may direct, in an amount equal to the aggregate of: <ul style="list-style-type: none"> (a) 100% of the principal amount outstanding of the relevant Loan as at the Repurchase Date; (b) interest accrued but not due on the Loan as at the date of repurchase, minus an amount equal to any interest not yet accrued on such Loan as at the Repurchase Date but paid in advance to the Issuer; (c) an amount equal to all amounts (other than such amounts as set out in (a) and (b) above) which are due and payable as at the Repurchase Date under that Loan; and (d) with respect to repurchase as a result of a breach of a Warranty only, the reasonable legal costs of the Issuer incurred in relation to such repurchase.
Reserve Fund	means the amount reserved from time to time in the Investment Account by depositing the Reserve Fund Required Amount into the Investment Account and crediting the Reserve Fund Ledger.
Reserve Fund Actual Amount	means the amount standing to the credit of the Reserve Fund, and the Reserve Fund Required Amount will be split between a Liquidity Reserve Fund Required Amount and a Non-Liquidity Reserve Fund Required Amount.
Reserve Fund Ledger	means the ledger of such name created for the purpose of depositing the Reserve Fund Required Amount and maintained by the Cash/Bond Administrator in the Investment Account.
Reserve Fund Required Amount	means until such time as the A to E Notes have been repaid in full, 3.0% of the aggregate principal amount of the A to F Notes (inclusive) as at the Issue Date.
Reserve Interest Rate	has the meaning given to such term in Condition 4(c)(ii) (<i>Floating Rate of Interest</i>).
Retained Interest	means the Seller's holding of F2 Notes, F3 Notes and/or Z Notes from time to time in an amount sufficient to satisfy the Retention Requirement.
Retention	means at any date an amount or amounts to be advanced under a Loan but retained as at that date pending satisfaction of the Retention Conditions.
Retention Conditions	means, in relation to a Retention, the conditions for the release of such Retention, as described in the relevant letter of offer to the relevant Borrower from the relevant Originator.
Retention Letter	means the retention letter dated the Issue Date among the Issuer, the Security Trustee, Kayl Holdco and the Seller.

Retention Requirement	means the requirement for the Seller to retain, on an ongoing basis as an originator within the meaning of the CRR, a material net economic interest of at least 5% in the securitisation, in accordance with Article 405(1)(d) of the CRR and Article 51(1)(d) of the AIFMD Level 2 Regulation.
Revenue Collections	<p>means an amount determined by the Cash/Bond Administrator on a Determination Date being the aggregate of:</p> <p>(a) all payments of interest, fees, breakage costs and other sums not comprising Principal Collections, if any, received by the Issuer in relation to the Loans in the Mortgage Pool in respect of the Determination Period ending immediately prior to such Determination Date;</p> <p>(b) recoveries received by the Issuer and allocable to interest upon an enforcement of the Collateral Security, and recoveries received by the Issuer and allocable to interest upon a purchase or a repurchase of any Loans in the Mortgage Pool by the Seller, the Guarantor or any affiliate thereof in accordance with the terms of the Kayl/Issuer Mortgage Sale Agreement, in each case received by the Issuer in the Determination Period ending immediately prior to such Determination Date; and</p> <p>(c) all Mortgage Early Redemption Amounts in respect of the Determination Period ending immediately prior to such Determination Date.</p>
Revenue Ledger	means the ledger of such name created and maintained by the Cash/Bond Administrator in the Investment Account.
Revenue Receipts	has the meaning given to such term in Condition 4(1) (<i>Determinations and Reconciliation</i>).
Revenue Shortfall	means, on each Determination Date, the amount by which the Initial Available Revenue for the immediately following Interest Payment Date is insufficient to provide for payment of Senior Fees and/or interest on the A Notes, of the Pre-Enforcement Revenue Priority of Payments on the immediately following Interest Payment Date.
Right to Buy Insurance	means an insurance policy providing insurance cover in respect of amounts advanced under a loan which will not have priority to the statutory charge or standard security arising under the Housing Act 1985 or the Housing (Scotland) Act 1987.
Right to Buy Loans	has the meaning given to it in the section entitled “ <i>Risks Related to the Loans</i> ” in the section entitled “ <i>Risk Factors</i> ”.
S&P	means Standard & Poor’s Ratings Services, a division of Standard & Poor’s Credit Market Services Europe Limited.
Scottish Declaration of Trust	means a declaration or declarations of trust pursuant to which the beneficial interest in the Scottish Loans (together with the security thereof) are transferred to the Issuer.

Scottish Loans	are Loans in the Provisional Completion Mortgage Pool secured over Scottish Properties.
Scottish Mortgage	means a first ranking standard security over a Scottish Property which is security for a Scottish Loan.
Scottish Property	means a heritable or long leasehold residential property located in Scotland.
Scottish Sasine Sub-Security	means any standard security granted by the Issuer in favour of the Security Trustee over Scottish Mortgages in the Mortgage Pool recorded in the General Register of Sasines, pursuant to the terms of the Deed of Charge following a Perfection Event.
Scottish Sasine Transfer	means any assignation granted by a Legal Title-Holder in favour of the Issuer in respect of Scottish Mortgages in the Mortgage Pool recorded in the General Register of Sasines, pursuant to the terms of the Kayl/Issuer Mortgage Sale Agreement following a Perfection Event.
Screen Rate	has the meaning given to it in Condition 4(c) (<i>Floating Rate of Interest</i>).
Secured Creditors	<p>means each of the following:</p> <ul style="list-style-type: none"> (a) the Noteholders; (b) the Couponholders; (c) the Trustee; (d) the Security Trustee; (e) the Joint Lead Managers; (f) the Arranger; (g) any Receiver (in its capacity as a creditor secured by the Deed of Charge); (h) the Agents; (i) the Cash/Bond Administrator; (j) the Standby Cash/Bond Administrator; (k) the Mortgage Administrator; (l) the Mortgage Administration Facilitator; (m) the Special Servicer; (n) the Account Bank; (o) the Collection Account Provider; (p) the Investment Account Provider; (q) the Corporate Services Provider; (r) the Seller; (s) the Guarantor;

	<p>(t) the Subordinated Lender;</p> <p>(u) the GIC Provider; and</p> <p>(v) any party who accedes to the Deed of Charge and any other person who is expressed in any deed supplemental to the Deed of Charge to be a Secured Creditor.</p>
Securities Act	means the United States Securities Act of 1933, as amended.
Security	means the security created in favour of the Trustee by, and contained in or granted pursuant to the Deed of Charge.
Security Trustee	means Wells Fargo Trust Corporation Limited in its capacity as security trustee for the Secured Creditors appointed in respect of the Security created pursuant to the Deed of Charge and any Supplemental Deed of Charge and such term shall include its successors and assigns.
Self Certified Loan	means Loans in respect of which income and employment details of the Borrower are not substantiated by supporting documentation.
Seller	means Kayl acting as seller of the Loans under the Kayl/Issuer Mortgage Sale Agreement.
Senior Fees	means the fees due and payable under items (i) to (iii) of the Pre-Enforcement Revenue Priority of Payments.
Senior Notes	means the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the F Notes and the Z Notes.
Shortfall	means, on each Determination Date, the amount by which the Initial Available Revenue for the immediately following Interest Payment Date is insufficient to provide for payment of items (i) to (xiii) of the Pre-Enforcement Revenue Priority of Payments on the immediately following Interest Payment Date.
Shortfall Ledger	means the separate ledger of the Transaction Account into which advances under the Subordinated Loan Facility are initially credited and from where amounts may be debited for the payment of Issuer Payment Amounts.
Solvency II	means Directive 2009/138/EC.
Special Servicer	means KMC or any successor thereto.
Special Servicer Agreement	means the agreement so named dated on the Issue Date between, <i>inter alios</i> , the Issuer and the Special Servicer.
SRR	means the special resolution regime.
Standard Documentation	means the documents used by the relevant lender in connection with its activities as residential mortgage lender in relation to the origination of the relevant Loans in substantially the forms identified in Annexure C (<i>Standard Documents</i>) to the Kayl/Issuer Mortgage Sale Agreement and such other documents as may from time to time be substituted or added thereto with the prior written approval of the Trustee.

Standby Cash/Bond Administrator	means Wells Fargo Bank International or any successor thereto.
Standby Cash/Bond Administration Agreement	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Issuer and the Standby Cash/Bond Administrator.
Start-Up Costs Ledger	means the separate ledger within the Transaction Account into which the Issuer will pay an amount in respect of Issuer Costs and Expenses on the Issue Date from the proceeds of the issuance of the Z Notes.
Step-Up Date	means the Interest Payment Date falling in June 2020.
Subordinated Lender	means Kayl or any successor thereto.
Subordinated Loan Agreement	means the agreement pursuant to which the Subordinated Lender has made available the Subordinated Loan Facility to the Issuer.
Subordinated Loan Facility	means the additional subordinated loan facility provided by the Subordinated Lender to the Issuer pursuant to which the Issuer may draw sums to fund Issuer Payment Amounts.
Subscribed Notes	means the Notes (other than the notes to be retained by the Seller to comply with the Retention Requirement, the X Notes and the R Notes).
Substitute Loans	means such alternative residential Loans of an appropriate value which are substituted in the Mortgage Pool by the Seller following a breach of warranty.
Supplemental Deed of Charge	means, each assignation in security in favour of the Security Trustee, made pursuant to the Deed of Charge, of the Issuer's beneficial interest in the Scottish Loans and their related Collateral Security under the trust declared pursuant to a Scottish Declaration of Trust.
SVR	means KVR or, as the case may be, MVR.
SVR Standard Mortgages	means KVR Standard Mortgages and MVR Standard Mortgages.
Tax Regulations	means the Taxation of Securitisation Companies Regulations made under section 84 of the Finance Act 2005, now section 624 of the Corporate Tax Act 2010.
Temporary Global Notes	means the A Temporary Global Note, the B Temporary Global Note, the C Temporary Global Note, the D Temporary Global Note, the E Temporary Global Note, the F1 Temporary Global Note, the F2 Temporary Global Note, the F3 Temporary Global Note, the Z Temporary Global Note, the X1 Temporary Global Note, the X2 Temporary Global Note and the R Temporary Global Note.
Three Month Sterling LIBOR or 3 Month Sterling LIBOR	means three-month LIBOR.
Title Insurance Policy	means a policy of insurance in respect of title (howsoever described) to a Property and a provider of such insurance policies, a " Title Insurance Provider ".

Transaction Account	means the account in the name of the Issuer at the Account Bank, account number 88002237, or such other replacement account as may be established from time to time in accordance with the Transaction Documents.
Transaction Documents	means the Master Definitions Schedule, the Bank Agreement, the Collection Account Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Collection Account Declaration of Trust, the Corporate Services Agreement, the Deed of Charge, the Investment Account Agreement, the Mortgage Administration Agreement, the Note Purchase Agreement, the Special Servicer Agreement, the Kayl/Issuer Mortgage Sale Agreement, the Retention Letter, each Scottish Declaration of Trust, each Supplemental Deed of Charge, the Parent Share Trust Deed, the Parent Term Loan Agreement, the Paying Agency Agreement, the Trust Deed, the Issuer/ICSD Agreement, the GIC Agreement, the Subordinated Loan Agreement and any other document agreed between the Issuer and the Trustee to be a Transaction Document.
Transaction Parties	means each of the following: <ul style="list-style-type: none"> (a) the Trustee; (b) the Security Trustee; (c) the Agents; (d) the Cash/Bond Administrator; (e) the Standby Cash/Bond Administrator; (f) the Mortgage Administrator; (g) the Mortgage Administration Facilitator; (h) the Special Servicer; (i) the Account Bank; (j) the Collection Account Provider; (k) the Investment Account Provider; (l) the Corporate Services Provider; (m) the Seller; (n) the GIC Provider; (o) the Subordinated Lender; and (p) the Guarantor.
Treaty	means the Treaty on the functioning of the European Union (as amended).
Trust Deed	means the trust deed to be entered into between the Issuer and the Trustee on or about on or about the Issue Date.
Trustee	means Wells Fargo Trust Corporation Limited in its capacity as trustee for the Noteholders or any successor thereto;

Unfair Practices Directive	means the directive on unfair business-to-consumer commercial practices adopted by the European Parliament and the Council on 11 May 2005.
US-UK IGA	has the meaning given to such term in the section entitled “ <i>U.S. Foreign Account Tax Compliance</i> ”.
UTCCR	means the 1999 Regulations and (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994.
VAT	shall be construed as a reference to value added tax as that term is used in the Value Added Tax Act 1994 and all subsequent amendments thereto, and shall include any similar tax which may be imposed in addition thereto or in place thereof from time to time.
Verified Noteholder	means a Noteholder which has satisfied the Cash/Bond Administrator that it is a Noteholder in accordance with Condition 11(g) (<i>Evidence of Notes</i>).
Warranties	means, in relation to the Loans, the representations, warranties and undertakings referred to in clause 7.1 (<i>Warranties and Representations</i>) of the Kayl/Issuer Mortgage Sale Agreement.
WFTCL	means Wells Fargo Trust Corporation Limited.
X Noteholder	means the persons who are for the time being holders of the X Notes.
X Notes	means the X1 Notes and the X2 Notes.
X1 Noteholder	means the persons who are for the time being holders of the X1 Notes.
X1 Notes	means the £24,400,000 Class X1 fixed rate excess spread notes due 2046 and, unless expressly stated to the contrary, all references to an “ X1 Note ” shall be a reference to such X1 Note whether in global or definitive form.
X1 Permanent Global Note	means the permanent Global Note which will represent the X1 Notes, or some of them, after exchange of the X1 Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
X1 Residual Amount	has the meaning given to such term in Condition 4(k) (<i>Deferral of Interest</i>).
X1 Temporary Global Note	means the temporary Global Note representing the X1 Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
X2 Noteholder	means the persons who are for the time being holders of the X2 Notes.
X2 Note Maturity Date	means the Step-Up Date.

X2 Notes	means the £100,000 Class X2 excess spread notes due the Step-Up Date and, unless expressly stated to the contrary, all references to an “X2 Note” shall be a reference to such X2 Note whether in global or definitive form.
X2 Permanent Global Note	means the permanent Global Note which will represent the X2 Notes, or some of them, after exchange of the X2 Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
X2 Temporary Global Note	means the temporary Global Note representing the X2 Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
Z Noteholder	means the persons who are for the time being holders of the Z Notes.
Z Notes	means the £16,321,000 Class Z mortgage backed floating rate notes due 2046 and, unless expressly stated to the contrary, all references to an “Z Note” shall be a reference to such Z Note whether in global or definitive form.
Z Permanent Global Note	means the permanent Global Note which will represent the Z Notes, or some of them, after exchange of the Z Temporary Global Note, which will be substantially in the form set out in Schedule 2 Part 2 (<i>Form of Permanent Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.
Z Residual Amount	has the meaning given to such term in Condition 4(k) (<i>Deferral of Interest</i>).
Z Temporary Global Note	means the temporary Global Note representing the Z Notes on issue, which will be substantially in the form set out in Schedule 2 Part 1 (<i>Form of Temporary Global Note</i>) to the Trust Deed and which is intended to be held in a manner which would allow Eurosystem eligibility.

THE ISSUER

Residential Mortgage Securities 28 Plc

35 Great St. Helen's
London EC3A 6AP
United Kingdom

TRUSTEE

Wells Fargo Trust Corporation Limited

One Plantation Place
30 Fenchurch Street
London EC3M 3BD
United Kingdom

JOINT LEAD MANAGERS

**Citigroup Global Markets
Limited**

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

**Credit Suisse Securities
(Europe) Limited**

One Cabot Square
Canary Wharf
London EC14 4QJ
United Kingdom

**Morgan Stanley & Co.
International plc**

25 Cabot Square
Canary Wharf London E14 4QA
United Kingdom

PRINCIPAL PAYING AGENT AND AGENT BANK

Société Générale Bank & Trust

11 Avenue
Emile Reuter
L-2420 Luxembourg

LEGAL ADVISERS

To the Issuer, the Seller and the Guarantor

as to English Law

Berwin Leighton Paisner LLP

Adelaide House
London Bridge
London EC4R 9HA
United Kingdom

To the Joint Lead Managers

as to English Law

White & Case LLP

5 Old Broad Street
London EC2N 1DW

as to Scots Law

Shepherd and Wedderburn LLP

1 Exchange Crescent
Edinburgh
EH3 8UL

To the Trustee as to English Law

White & Case LLP

5 Old Broad Street
London EC2N 1DW

AUDITORS TO THE ISSUER
Ernst & Young LLP 1 More London Place London, SE1 2AF United Kingdom